

# AEGON MASTER TRUST

The background of the entire page is a photograph of a desk. In the foreground, there is a stack of papers with a pair of black-rimmed glasses resting on top. The papers appear to be financial reports or spreadsheets, with some charts and tables visible. In the background, a wooden chair with a grid-like backrest is partially visible, and the scene is lit with warm, soft light, suggesting an office environment.

## Chair's Statement on Defined Contribution Governance

Covering the period 1 April 2022  
to 31 March 2023

Registered Number: 12006781

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# Introduction from Ian Pittaway, Nominated Representative of Independent Trustee Limited, Chair of the Trustees

As your Chairman of Trustees, I'm delighted to be able to provide you with this annual update on the Aegon Master Trust (the 'Scheme') and tell you more about the role that the Trustees carried out for you during the period from 1 April 2022 to 31 March 2023 (the 'Scheme Year').

We, the Trustees of the Scheme (referred to as 'Trustees', the 'Trustee Board', 'we' or 'us' within this statement) are required by law to make this statement and we welcome the opportunity to tell members (referred to as 'Members' or 'you' within this statement) about the governance of the Scheme.

As at 31 March 2023 the Trustees had responsibility for approximately £3.90bn of assets and 171,688 Members.

In this update, we're giving you information about the Trustee Board, an update on key milestones and developments, our investment strategy for the Scheme, service performance, details of costs and charges, and how we work to ensure the Scheme provides good value for Members. Under the section looking at costs and charges, we've included illustrative examples of the cumulative effect of costs and charges over time.

We've also included further details about the Trustees in Appendix 1, setting out how the Trustees are selected, their knowledge and understanding, what they bring to the Scheme and the importance of ongoing training.

## Improvements to the Scheme

We are pleased to report that Aegon and the Trustees continue to invest in improving the services offered to you. Some of the key developments include: the launch of Pension Geeks TV; the introduction of More Ways to Save; and online expression of wish forms. Details of these improvements and others introduced during the Scheme Year can be found in Section 2 of the report.

## Service

In last year's statement we highlighted the operational challenges caused by high staff absence and employees leaving the Aegon business. To improve the service provided to Members, Aegon has made significant investment into staff recruitment and retention. The Trustees view the service we provide to you as a key part of the Scheme offering. With that in mind, we undertook site visits to the Aegon Peterborough office in May and December 2022, to see the customer service team in action. This helped us to understand the challenges being faced and actions being taken to address them.

Following the investment and changes Aegon has made in this area, to enable a return to a good level of service, we have seen signs of improvement. Although we need to see this continue over a prolonged period before we can be confident that service has returned to the levels you require. Further details on service performance can be found in Section 5 of the statement.

## Investment Performance

During the Scheme Year there has been significant market volatility. The invasion of Ukraine in February 2022, inflation, and consequent concerns for global economic growth have led to a difficult backdrop for asset markets during 2022. It is against this market environment that Aegon BlackRock LifePath Flexi, the investment option that the majority of Members invest in, experienced negative returns in 2022. You can find further details on investment performance and how the Trustees oversee the investment performance of the Scheme in Section 3 of the statement.

## Cost of Living Crisis

High inflation and the cost of living crisis during the Scheme Year may have put people's finances under more pressure. This may have impacted your ability to save, as well as your existing savings/pension investments. It can be worrying to see short-term fluctuations in value. Aegon have lots of support available to help you including a dedicated Cost of Living Hub which can be accessed via this link **Cost of Living**.

Scottish Equitable plc (SE plc) is the Sponsoring Employer of the Scheme and Scheme funder. It is also our administration service provider. SE plc is an indirect subsidiary of Aegon UK plc ("Aegon UK") and its brand name is "Aegon". Where I refer to "Aegon" in this statement, I mean SE plc.

We hope you find this update useful. We're always keen to hear your views on the Scheme, so please contact us at [yourMT@aegon.co.uk](mailto:yourMT@aegon.co.uk) if you have anything you'd like to let us know about the Scheme and your membership of it. In addition, Section 7 of this Statement explains other arrangements we have in place for you to contact the Scheme and share your views and provide feedback.

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**Aegon issue a quarterly member newsletter, on behalf of the Trustees, so please make sure your email address is up to date and accurate. You can do this easily by activating or signing into your secure TargetPlan account.**

The Trustees are fully committed to high governance standards, and we make sure that the Scheme is managed in accordance with the Scheme's governing documentation (i.e. the Trust Deed and Rules) and relevant legislation. We appoint professional advisers and service providers to assist us in running the Scheme and take advice from our investment adviser whenever we review the appropriateness of the Scheme's investment funds and strategy.

Our current advisers are:

Accountants: Aegon (as defined below)

Auditor: Ernst & Young LLP

Investment: Isio Group Limited

Legal: Eversheds Sutherland (International) LLP and Stephenson Harwood LLP, as standby Legal Advisor

Assurance Auditor: CLA Evelyn Partners (name changed from Nexia Smith & Williamson Audit Limited on 14 June 2022)



# Section 1:

## Your Trustee Board

The Trustees provide governance and investment oversight to the Scheme, independently of Aegon. They are responsible for the proper running of the Scheme in accordance with the Scheme documentation, legislation and regulations. It is the Trustees' duty to act in the Members' best interests.

During the Scheme Year the Trustee Board was made up of four trustees, all of whom are non-affiliated (independent) Trustees, including the Chairman. Broadly, "non-affiliated" means that the Trustee must not have been affiliated with any company which provides (or has in the last five years provided) services to the Scheme.

The independent/non-affiliated Trustees during the Scheme Year were:

- Independent Trustee Limited, represented by Ian Pittaway;
- Zedra Governance Limited\*, represented by Alison Bostock;
- Helen Parker; and
- Graeme Griffiths

More information about the Trustees can be found in Appendix 1.

\*PTL Governance Ltd changed its name to ZEDRA Governance Limited on 7 July 2022 following the acquisition by ZEDRA.





# Section 2:

## Key milestones and developments

### Authorisation of master trust schemes

All master trusts must be authorised by the Pensions Regulator in accordance with the Pension Schemes Act 2017. The Pension Regulator is also responsible for ongoing supervision and oversight of each master trust to ensure the authorisation criteria continue to be met.

The Scheme was authorised by TPR on 6 September 2019. All authorised master trusts are listed on regulator's website <https://www.thepensionsregulator.gov.uk/en/master-trust-pension-schemes/list-of-authorised-master-trusts>.



### Improvements to the Scheme

The Trustees, along with Aegon, are committed to providing extra value and benefits to employers and Members of the Scheme. During the Scheme Year the Trustees and Aegon made the following improvements:

- **Financial wellbeing week** – Aegon ran a Financial Wellbeing week in June 2022, aimed at employers. This involved live virtual webinars on many topics associated with financial wellbeing and the opportunity to ask questions. Aegon shared the findings of its research into financial wellbeing and worked with industry experts. Combined with the yearly financial wellbeing index report and online tools which Members can use to measure their financial wellbeing, Aegon are helping employers to engage their workforce and support Members to improve their financial wellbeing.
- **Pension Geeks** – in November 2022, Aegon piloted Pension Geeks TV. Following a successful pilot, Pension Geeks presented the first in a planned series of live educational webinars in March 2023. These live and interactive online studio events are another part of Aegon's wider financial education programme. Sessions are open to all Members and supported by an information hub and follow-up 'How to' webinars.
- **Cost of living crisis** – Aegon provided webinars, expert support and content, through a dedicated online hub, to help reassure Members and help them stay on track during this volatile period.

- **Welcome journey** – Aegon is now engaging Members, with a digital welcome journey, from the point they join the Scheme. For each, of the first six months after receiving their welcome letter, new Members receive an email. Based on behavioural science, this nudges Members to take simple actions including signing into their online account from the links included in the emails.
- **Quarterly newsletters** – Members are sent quarterly newsletters which include content tailored to their particular profile. Broadly these profiles are based on age and overall wealth. With 47% of recipients opening the newsletter, this communication channel is well above the 21.5% industry average.<sup>1</sup>
- **Online document store** – Aegon has updated the online document store within the TargetPlan member portal. This makes key member information and documents easier to find.
- **Aegon.co.uk website** – Members can now access a range of educational content. This includes guides and videos to help members understand Aegon products and actions they can take towards providing better outcomes.
- **Digital and simplified statements** – following regulatory changes, Aegon has made annual statements simpler, making it easier for Members to understand the key information about their savings. For example, how much has been paid into the pension, the current value and what the Member is likely to receive when they retire. The changes have been tested with the member panel to make sure they are engaging and easy to understand (see section 7 for more details on the member panel). In addition, Members can choose to have annual statements sent directly to their secure online document store within the TargetPlan member portal. For Members who continue to receive a postal version of the annual statement, this is the same as the online version.
- **More Ways to Save** – Aegon launched the first phase of their new savings product, which gives Members access to an Aegon Stocks and Shares ISA, at the same scheme price as their workplace pension (including the Scheme). The investment charge Members pay on top of this will depend on the fund(s) they choose to invest in. Members can view their ISA savings alongside their pensions savings in Aegon’s app.
- **Expression of wish** – Members can now nominate who receives benefits in the event of their death, online. This makes adding and updating beneficiaries easier for Members, giving them and their loved ones peace of mind at a time when they may need it the most.

### Chair’s comment

We are pleased to see Aegon continues to invest in the Scheme to improve the services available to Members. This should help Members to self-serve and, ultimately, improve Member outcomes.

1. Email Marketing Benchmarks and Statistics for 2022 | Campaign Monitor - Blended figure from the report used





# Section 3:

## Investment arrangements

The Trustees have appointed an Investment Sub-Committee to ensure the key topic of investments within the Scheme receives regular, focused oversight. The Investment Sub-Committee reports to the main Trustee Board and its remit and responsibilities are set out in its Terms of Reference. Throughout the Scheme Year the Investment Sub-Committee has met regularly, reporting to the full Trustee Board each quarter.

The Trustees have appointed an independent investment adviser, Isio, to assist in the oversight of investments.

In accordance with Department for Work and Pensions (DWP) regulations and Pension Regulator guidance, the Trustees are required to set strategic objectives for investment advisers, and to review the investment adviser's performance against those objectives at least every twelve months. The objectives must be reviewed and (if appropriate) revised at least every three years and without delay following a significant change in investment policy.

During the Scheme Year, the Trustees reviewed Isio's performance against its strategic objectives. The Trustees are satisfied with Isio's performance and have not made any changes to the strategic objectives of the independent adviser. The independent investment adviser is

invited to all the Investment Sub-Committee meetings and Trustee Board meetings, as required.

The Trustees receive regular, detailed fund reporting from Aegon. That reporting continues to evolve and improve, giving the Trustees clear insight into the funds offered to Members. This includes how each fund is performing against its objectives and against competitor funds, each fund's charges, and each fund's progress on the integration of ESG considerations. Aegon's CIO and senior members of the Aegon Investment Solutions team are invited to present at the Investment Sub-Committee, giving the Trustees an opportunity to discuss any issues raised in the fund reporting and to request further analysis where required.

The Trustees believe the combination of the independent investment adviser input, the regular fund reporting and the interaction with members of the Aegon Investment Solutions team provide a strong basis to ensure the suitability of the investment offering.



# Statement of Investment Principles (SIP)

The SIP provides details of the investment offering including default arrangements and other investment options, together with the investment policies which guide the way in which Members' pension savings are invested and managed. These policies apply across all of the Scheme's investments (unless otherwise stated) and are intended to ensure that the assets are invested in the best interests of Members and beneficiaries. The Trustees updated the SIP in September 2021, prior to the Scheme Year, and the Trustees again updated the SIP on 2 September 2022. All comments on suitability of investments, and the Implementation Statement are made with reference to the two applicable SIPs during the Scheme Year (the SIP adopted by the Trustees in September 2021 and the revised version adopted in September 2022).

Beyond the Scheme Year, in May 2023 and in September 2023, the SIP has been further updated with details of changes to the Core Fund Range, and to reflect the implementation of the previously reported changes to Bespoke Notional Sections (referred to as Advised Notional Sections in previous SIP versions).

The updated SIP from September 2023 is attached in Appendix 3 to the Statement where you can find more information about the default and other funds available under the Scheme. The SIP is also available online at [aegon.co.uk/employer/what-we-offer/targetplan/aegon-master-trust](https://aegon.co.uk/employer/what-we-offer/targetplan/aegon-master-trust).

The Implementation Statement is to be found in Appendix 4 to this Statement.

## The Trustees' investment beliefs

- i. Default arrangements should reduce Members' exposure to investment risk through their lifetime, as well as reflect their likely benefit choices.
- ii. The fund range should meet the needs of the target market and these should be presented in a simple way that helps to combat common behavioural biases.
- iii. Other self-select investment options should be offered to meet the differing risk and goal preferences of Members.
- iv. As long-term investors the fund range should incorporate a sustainable investing framework.





## Standard default investment arrangements

### Standard default arrangements

In line with the SIP and the Trustees' investment beliefs, the Trustees provide default investment funds for Members who do not choose where to invest their pension savings.

Aegon BlackRock LifePath Flexi is the Scheme's standard default fund. This fund targets an asset allocation, at retirement, which is appropriate for Members who are planning to leave their pension savings invested and draw regular income, or ad-hoc amounts from their pension savings.

The Scheme also offers two other versions of Aegon BlackRock LifePath, as alternative default fund options:

- Aegon BlackRock LifePath Retirement is designed for those Members who plan to turn their pension savings into a guaranteed income through the purchase of an annuity. One employer currently uses this as their default option for deferred Members.
- Aegon BlackRock LifePath Capital is designed for those Members who plan to withdraw their pension as cash. There are currently two employers using this option for their default.

The asset allocation of Aegon BlackRock LifePath funds uses an age-aware investment strategy that gradually alters the investment mix as members near their target retirement date. Earlier on in a Member's working life, the fund's strategy is weighted towards typically riskier assets like equities (stocks and shares). Leading up to their target retirement date, the fund's strategy gradually moves to a more cautious asset mix.

During the early day stage of a Member's investments in Aegon BlackRock LifePath fund, monies will be invested in the same growth assets for all three variants of the LifePath funds (Flexi, Retirement, and Capital). From 10 years prior to the Member's target retirement date, the asset mix of the three funds begins to differ to suit the different retirement outcome of each fund. The asset allocation for each is shown in the Scheme's Statement of Investment Principles (SIP). There have been no material changes to the asset allocation of Aegon BlackRock LifePath funds throughout the Scheme Year.

At the close of the Scheme Year investments into Aegon BlackRock LifePath funds made up 86% of Members' funds in the Aegon Master Trust. Full details of the asset allocation, and the diversification of risk over time to suit Members' needs at different points in their lives, are detailed in the SIP.



## Trustees view on suitability of the standard default funds

The Trustees must commission a review of the suitability of the Scheme default funds by an independent investment adviser at least every three years and without delay after any significant change in investment policy or the demographic profile of the Members. The review provides the Trustees with advice for the purpose of Section 36 of the Pensions Act 1995, in respect of the appropriateness and suitability of the default strategies for Scheme Members. It provides the Trustees with analysis of the default funds during the various stages, how the funds were managed, charges for the funds, and their performance.

As reported in last year's Chair's Statement, Isio carried out a review of Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Capital and Aegon BlackRock LifePath Retirement during the 2021-2022 scheme year. Based on that review, the Trustees are satisfied that each of the three Aegon BlackRock LifePath default funds remain appropriate for Members.

The next independent review of the standard default funds is scheduled for 2024.

To ensure the input of the Scheme's independent investment advisers is regular and timely the Trustees have invited Isio to attend all the Investment Sub-Committee meetings which are held at least quarterly, and more often as required. Isio is also invited to attend the main Trustees' quarterly meetings, as required.

The Trustees also meet at least annually with BlackRock to receive updates on the LifePath directly from the asset manager.

From the detailed analysis supplied by both Aegon and Isio, the Trustees are satisfied that, during the Scheme Year, the Aegon BlackRock LifePath funds continued to be run in a way that matched their fund objectives. Each fund has a set of fund objectives, a description of what the fund aims to invest in, the strategy it will follow and the style of investing – typically passive or active. When a fund is said to 'meet its objectives' then the way the fund is managed, and the investments held match those described in the fund objectives – it does not necessarily mean the fund has delivered positive investment performance.

## Aegon BlackRock LifePath performance to 31 March 2023

As noted in the Chairman's introduction, high inflation and concerns for global economic growth led to a difficult backdrop for financial markets during the Scheme Year. Inflation was already a concern in early 2022, but this was exacerbated by Russia's invasion of Ukraine, that began on 24 February 2022. The invasion led to a shortage of key commodities that in turn led to further food and energy inflation. In response many central banks, like the US Federal Reserve and the Bank of England, introduced incremental but frequent hikes in interest rates. The impact of these issues has driven sharp falls in the value of both equities (stocks and shares) and bonds (company and government loan notes).

The Aegon BlackRock LifePath funds have not been immune to these issues. While the Aegon BlackRock LifePath funds were run in a way that matched their fund objectives, these funds have been less effective at preserving pension savings of Members approaching retirement than many similar default funds available from other pension providers. While all default funds were affected by declining equity and bond markets in 2022, some other competitors' default funds for those approaching retirement had higher allocations than LifePath to cash, shorter term bonds or UK equities, asset classes which performed better last year. Falls in global equities were relatively worse than UK equities, while long-term bonds were hit harder than short term bonds.

LifePath funds typically have had higher allocation to global equities and long-term bonds than some other default funds, and so their returns have been impacted accordingly.

Protecting members of UK pension schemes during periods of market turmoil is typically achieved through the diversification of assets. As Members approach retirement the Aegon BlackRock LifePath strategy sees an increasing allocation of investments to bonds, away from equities. That strategy was far less effective during the Scheme Year as equities and bonds fell in value simultaneously. The impact of this can be seen in the performance of the At Retirement stage of the funds, details of which follow below.

The Trustees met with BlackRock in November to discuss these issues and the steps being taken to address Aegon BlackRock LifePath’s short-term performance. BlackRock highlighted the extreme moves in interest rates, currencies and the value of UK assets had impacted returns. A number of research themes were discussed, and it was agreed changes will be implemented before the end of the 2023-24 Scheme Year. While the year’s market conditions were considered, these changes, were part of a wider review of the strategy.

The Trustees believe the investment strategy adopted in the Early Days stage of Aegon BlackRock LifePath, and subsequent diversification, is appropriate. Over time the strategy has had a strong track record, but in this turbulent year, the diversification strategy has not delivered investment returns which are satisfactory given its risk profile.

BlackRock believe equity and bond investments remain good investments over the long-term, despite the expectation for higher volatility in the short-term.

The Trustees share this belief in the long-term potential and will continue to work with BlackRock to influence changes to strengthen performance. The Trustees primary focus is on the long-term view, but it has been reassuring to see that many of the asset allocation positions that led to poor performance in the months of 2022 have begun to reverse in early 2023. This can be seen in the investment performance towards the end of the Scheme Year and reinforces the importance of not reacting to short-term market shocks.

## Aegon BlackRock LifePath Flexi Fund (Early Days stage) performance:

### Aegon BlackRock LifePath Early Days stage fund performance as at the end of the Scheme Year (31 March 2023).

	3 months % January 1 2023 – March 31 2023	1 year %	3 years % pa	5 years % pa
Aegon BlackRock LifePath (Flexi) Early Days stage	5.22	-4.51	15.36	7.62
Composite benchmark*	5.14	-5.10	15.08	7.39

Source: BlackRock. Returns are gross of costs, hence actual returns will be slightly lower and reflect scheme-agreed costs

\* A Composite benchmark is one that uses a combination of standard benchmarks, here it is a composite of all the underlying funds.

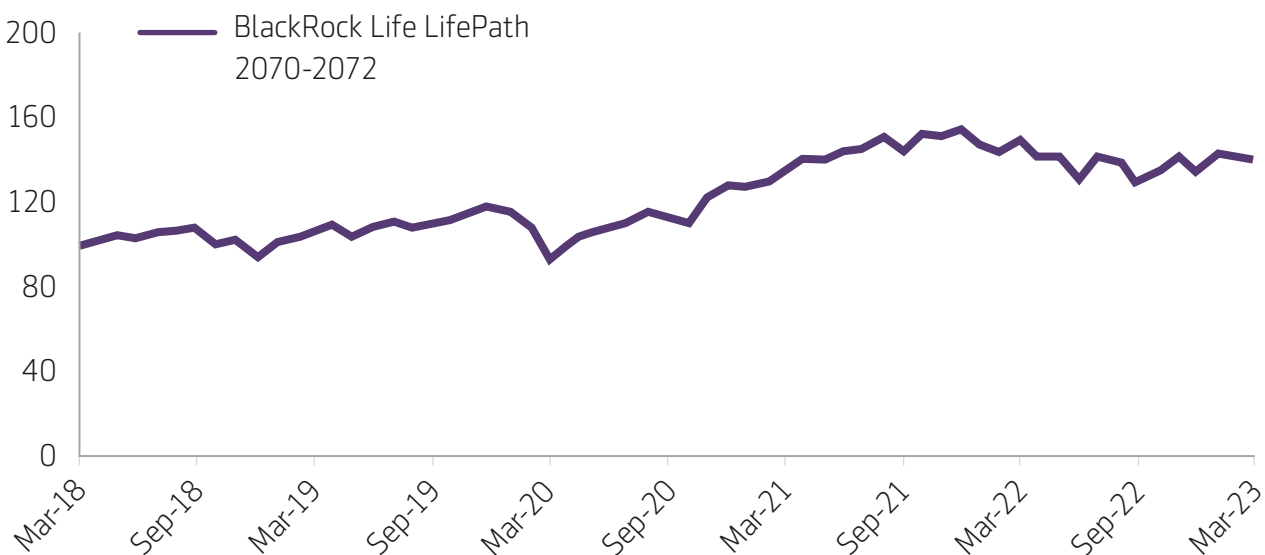
The Early Days stage (sometimes referred to as the growth stage) is used for all Members early in their working lifetime and is made up of 100% equity and equity-like funds. Gradual diversification into bonds commences 35 years before the Member's target retirement date.

The short-term performance (12 months) of the Aegon BlackRock LifePath Early Days stage is driven by the use of higher allocation to equities than some competitors' funds. Equities are regarded as assets with a high risk - that risk is taken in pursuit of potential for better performance. LifePath funds also hedge a proportion of overseas equities, and this hedging decision will have led to poorer performance relative to competitor funds that do not hedge their equity exposures. BlackRock believe over the longer-term, the currency hedging policy has been effective in its management of currency risk however, the hedging policy has been reviewed as part of the wider research undertaken by BlackRock within the Scheme Year.

Towards the end of the Scheme Year, in the first quarter of 2023, there were positive returns for equities, this stronger performance however, only partially offset losses seen in 2022. The strategy's performance will continue to be reviewed through the next Scheme Year.

Over the long-term (five years or more), performance has been more in line with expectations.

The graph below shows how much £100 invested on 1 April 2018 in the Aegon BlackRock LifePath Early Days stage fund (2070-72 vintage) would be worth in cash on 31 March of each subsequent year.



The Trustees look at the performance of similar competitor funds. Fund performance for this group is then ranked and split into four 'quartiles'. Quartiles 1 and 2 represent the funds that have performed better than average, while quartiles 3 and 4 are below average. Over the longer-term the Trustees expect to see Aegon BlackRock LifePath is in quartile 1 or 2.

The Aegon BlackRock LifePath Flexi (Early Days stage) fund was in quartile 2 in the last 3 months of the year, but over one year it was in quartile 4. The fund's longer-term performance record is reflected in it being quartile 2 over three years.

## Aegon BlackRock LifePath Flexi Fund (At Retirement) performance:

### Aegon BlackRock LifePath Flexi Fund (At Retirement) performance as at the end of the Scheme Year (31 March 2023).

	3 months % January 1 2023 – March 31 2023	1 year %	3 years % pa	5 years % pa
Aegon BlackRock LifePath (Flexi) At Retirement	3.70	-10.39	2.57	2.15
Composite benchmark*	3.66	-10.94	2.41	1.86

Source: BlackRock. Returns are gross of costs, hence actual returns will be slightly lower and reflect scheme-agreed costs

Further details of the investment performance (after charges) of each variant of the Aegon BlackRock LifePath are found in Appendix 6 to the Statement.

As noted above the asset allocation of Aegon BlackRock LifePath funds uses an age-aware investment strategy that gradually alters the investment mix as members near their target retirement date to a more cautious asset mix, which in practice means a higher allocation to fixed income assets. Historically returns from equities and bonds have seen to be broadly 'negatively correlated', suggesting that when one asset class falls, the other typically rises, which has allowed bonds to be used defensively in portfolios. 2022 however saw simultaneous falls in both equities and bonds. This unusual fall in both asset classes meant many investors approaching retirement will not have been protected by the usual diversification asset allocations.

The sharp falls in bond prices was driven by the steep rise in interest rates. The falls impacted long-term bonds to a greater extent than short-term bonds. (For a fuller explanation of the link between bond prices and interest rates please see the text called out in a box in this section.)

### Bond prices and interest rates relationship explained:

The 'coupon rate' for a bond, the annual percentage rate it pays to investors, is set at the time of issue, and this does not change through the lifetime of the bond. The date (its 'maturity') and the amount the bond will pay back (its 'face value') is also set at issue.

### In periods of rising interest rates:

When interest rates rise, that bond coupon rate is comparatively less valuable than the revised interest rate, and so the price a new investor would be prepared to pay for the bond falls. Longer duration bonds (bonds with more time before maturity) are impacted most by interest rate rises, because they have more future payments at that less attractive rate.

### In periods of low and stable interest rates:

Long duration bonds are seen as good ways to provide a relatively safe return in periods of low interest rates, with both the certainty of future coupon rate payments and the relative security of an anticipated capital payment (the bond's 'face value') at maturity, both of which can be closely matched to an investor's target retirement date. BlackRock had used longer duration bonds in the Aegon BlackRock LifePath (At Retirement) funds for those reasons.



Aegon BlackRock LifePath (At Retirement) fund typically has had higher allocation to long-term bonds than some other default funds, and so its returns have suffered accordingly. As noted above some competitors' default funds for those approaching retirement had allocations to cash and used shorter term than the Aegon BlackRock LifePath (At Retirement) fund and so delivered comparatively better returns.

BlackRock acknowledge Members in Aegon BlackRock LifePath (At Retirement) fund have not seen asset diversification benefits from the greater use of UK government bonds.

The Aegon BlackRock LifePath Flexi (At Retirement) fund was in quartile 4 over one year, and quartile 3 over three-years. While 2022 saw the simultaneous fall in the value of equities and bonds that caused many such strategies in the market to struggle, the quartile 3 position over three-years falls below the Trustees' expectations for the fund. The fund delivered double digit negative returns over the Scheme Year, a fact the Trustees know will impact Members in the process of retiring.

The Trustees, the Aegon Investment Solutions team, Isio and BlackRock discussed the potential for changes. Whilst bonds will continue to have a role to play in the Aegon BlackRock LifePath funds, the intention is to use shorter duration bonds to reduce the fund's sensitivity to rising interest rates. Changes to the duration will be implemented in the next Scheme Year.

As noted above, the first of these changes were completed by the end of June 2023, and the remainder of changes to be implemented during the 2023-24 next Scheme Year. The Trustees will continue to work with BlackRock as these changes are delivered.

### Chair's comment

We are disappointed by the poor performance of the Aegon BlackRock LifePath funds during the Scheme year, and particularly the impact this had on Members approaching retirement. We have regularly met with BlackRock, the manager of these funds, to discuss these issues and their plans to improve the degree of certainty in outcomes for older members. These include a number of changes to asset allocation, and we will continue to closely monitor performance to ensure that we can be confident that performance has returned to the levels Members require.

## ESG screened/ optimised assets in the standard default funds

The Trustees believe that the consideration of material environment, social and governance (ESG) factors, including Climate Change, are likely to enhance long term Member investment outcomes. As a result, we are pleased to see that BlackRock has further increased the proportion of LifePath investments that were invested in indices that are screened and/or optimised using ESG factors (screened refers to exclusions of investments that are particularly harmful to the environment and/or society, optimised is a measurement of how well a company performs with regard to ESG factors).

At the close of the Scheme Year, Aegon BlackRock LifePath funds were invested in assets screened and/or optimised based on ESG factors, which represented:

- around 80% of the Early Days stage assets, and
- around 46% in the At Retirement stage

Earlier on in a Member's working life, the fund's strategy is weighted towards riskier assets like equities (stocks and shares). Leading up to the target retirement date, the fund's strategy moves to a more cautious asset mix, which is expected to be more stable for generating income from the Member's pension when they retire. The closer a Member is to retirement, the more government bonds are held, and so the more assets which are not currently screened and/or optimised based on ESG factors are held.

Since the last quarter (October-December) of 2022, REITs (real estate investment trusts, made up of a portfolio of commercial real estate and/or real estate loans) are screened and optimised based on ESG factors. In the Early Days stage, Aegon BlackRock LifePath allocates approximately 5% of its assets to REITs.

In December 2022, following on from engagement with the Trustees, BlackRock adopted an ESG policy for the BlackRock LifePath investment strategy, which includes a climate objective and other sustainability-related objectives, into its fund prospectus. The update includes the aim to:

- Achieve a reduction of 50% in carbon emissions intensity by sales with a June 2029 target date (starting from July 2019),
- Invest a minimum of 80% of the assets held in corporate issuers in ESG screened/optimised strategies,
- Invest a minimum of 80% of the assets held in sovereign debt issuers in strategies with an ESG sovereign rating of BB or higher,
- Provide additional flexibility to invest in non-index funds.

The Trustees see this proposal as the first step towards creating a net-zero transition plan for Aegon BlackRock LifePath Flexi fund. The Trustees will continue to engage with BlackRock on their delivery plan to meet the 2029 target. This includes using stewardship to support emissions reduction in the underlying investee companies, and sector and strategy-specific decarbonisation pathways.

The Trustees welcome the positive advances in BlackRock's stewardship activity during the Scheme Year. Further updates on ESG integration within the standard default funds is in the section 'Responsible Investments' later in this statement.

## Aegon BlackRock Cash Fund as a default fund

For Members who select their own funds, there are circumstances in which the Aegon Cash (AMT) Fund temporarily becomes a Member's default fund. This is set out in the Statement of Investment Principles (SIP). Such circumstances are infrequent and typically triggered by a fund being closed or suspended to new monies. In this situation, Members' future contributions are re-directed to the Cash Fund. Isio's assessment is that the Cash Fund is a suitable default solution for Members in the short term.

As reported in last year's Chair's Statement, the Cash Fund was reviewed as a Default by Isio in 2021.

The next independent review of the Cash Fund funds as a Default is scheduled as part of the Fund Review in 2023.

In the section below, on changes to the self-select fund range, there are details of a new Cash Fund that will be used for future Scheme Years, following the adoption of the updated SIP on 14 September 2023.

## Bespoke Notional Sections using different default funds from Aegon BlackRock LifePath

At the outset of the Scheme Year there was just one Bespoke Notional Section that did not use Aegon BlackRock LifePath as its standard default fund, the Sun Life of Canada 2015 Employee Pension Plan.

In June 2022, the recommendations of the Sun Life of Canada 2015 Employee Pension Plan's own investment adviser were implemented, and all the Sun Life of Canada 2015 Employee Pension Plan Members were transferred to an appropriate Aegon BlackRock LifePath fund.

Another Bespoke section, The SG Retirement Savings Plan, has one fund created to facilitate staged redemptions from an underlying property fund. This fund was launched on 29th June 2021 and is considered to be an 'additional' default within The SG Retirement Savings Plan's Bespoke Notional Section. The fund is scheduled for review in its role as an additional default fund in March 2024.

Full details of these funds can be found in the SIP.

## Core (self-select) Fund Range

The Trustees have designed their investment strategy to provide a suitable range of funds to Members so they can save for retirement. The fund range includes investments suitable to Members of different ages, with different retirement benefit plans and different attitudes to risk. In designing the fund range, the Trustees have taken advice from their investment advisers and, where appropriate, input from specialists employed by Aegon.

Some Members want to exercise differing levels of control over the way their savings are invested, and the Trustees have designed the Core Fund Range with the intention to best meet that requirement.

The Trustees receive regular updates on the performance of each fund in the Core Fund Range and an assessment of the funds against their objectives. It has been a challenging year for the majority of funds within the Core Fund Range, with Fixed Interest longer term track records particularly impacted.

The performance for each fund in the Core Fund Range is provided in the table below.

	1 year %	3 years % pa	5 years % pa
Aegon BlackRock Emerging Markets Equity Index (BLK)	-6.33	8.28	1.64
Benchmark	-6.03	8.46	1.53
Aegon BlackRock (30:70) Currency Hedged Global Equity (BLK)	-3.30	14.99	6.97
Benchmark	-3.32	15.08	6.96
Aegon BlackRock HSBC Islamic Global equity Index (BLK)	-2.85	16.97	15.11
Benchmark	-2.86	17.09	15.18
Aegon BlackRock UK Equity Index (BLK)	2.32	13.44	4.79
Benchmark	2.92	13.81	5.04
Aegon BlackRock World ex-UK Equity Index (BLK)	-1.29	16.53	11.11
Benchmark	-1.09	16.61	11.00
Aegon BlackRock LGIM Ethical Global Equity Index (BLK)	0.85	17.65	12.07
Benchmark	0.98	17.79	12.15
Aegon BlackRock Corporate Bond (BLK)	-7.97	-0.43	0.54
Benchmark	-12.26	-3.60	-1.54
Aegon BlackRock Cash (BLK)	2.19	0.81	0.79
Benchmark	2.22	0.72	0.64
Aegon BlackRock Pre-Retirement (BLK)	-17.10	-8.26	-2.58
Benchmark	-17.66	-9.01	-3.13
Aegon BlackRock Over 15yr Gilt Index (BLK)	-29.98	-16.74	-6.39
Benchmark	-29.72	-16.37	-6.36
Aegon BlackRock Over 5 Year Index-Linked Gilt Index (BLK)	-29.52	-10.38	-4.08
Benchmark	-30.44	-9.22	-4.13
Aegon BlackRock Diversified Growth (BLK)	-0.01	3.18	2.14
Benchmark (BofE)	2.29	0.86	0.79



	1 year %	3 years % pa	5 years % pa
Aegon BlackRock Market Advantage (BLK)	-7.94	2.50	0.74
Benchmark (Libor)	2.22	0.84	0.81
Aegon Property (BLK)	-15.29	2.55	2.33
Benchmark	-14.47	2.57	2.48
Aegon Baillie Gifford Positive Change	-1.43	N/A	N/A
Benchmark	-1.43	N/A	N/A
Aegon HSBC Developed World Sustainable Equity Index	-2.80	N/A	N/A
Benchmark	-0.13	N/A	N/A
Aegon Ninety One Global Multi-Asset Sustainable Growth	-0.70	7.04	1.82
Benchmark	14.48	10.30	7.45



## Core Fund Range review:

During this Scheme Year the range of self-select funds available to Members has remained unchanged, though the year has seen a great deal of work to plan future changes to the Core Fund Range. This is to offer investment choice across commonly used asset classes and to strengthen the focus on the risks and opportunities arising from climate change and other ESG factors. These changes are intended to provide Members with a wider range of investment options across all major asset classes and to allow Members to select funds based on their own sustainable investing preferences. The changes have been planned having regard to the Trustees' Investment Beliefs, the Trustees' responsible investment beliefs, and following analysis of the demographics of the Membership.

The design principles for the new range were set at the outset of the review and included the need for the range to be easy for Members to understand the options by risk, asset class, and level of sustainability. The principles also set out that the range must be well diversified and favour global solutions. In setting the design principles and throughout the project the Trustees have sought to address the FCA Guiding Principles on ESG and Responsible Investment Funds, while the Investment Association's Responsible Investment Spectrum, has been used to guide the fund naming.

Naming of the funds has been carefully considered to ensure they are clear and accurately reflect the way the fund is managed, especially in regard to the degree any fund is designed to meet responsible investment goals. The Aegon Customer Panel has been utilised to understand how Members understand different naming options and to fine tune the proposed names, with 877 customer responses giving the Trustees a good sense of the likely level of Members' understanding. A number of employers were also approached for their views on the most appropriate naming structure to aid understanding.

Beyond the naming of the range, the research identified clarity of ESG descriptions in the fund fact sheets is as important as the naming of the fund. The Trustees have pushed to ensure the fund objectives are clear on the specifics of any responsible investment goals, for instance ensuring the clear differentiation between funds which have a sustainability objective or a climate objective. Aegon is additionally working with MSCI, a climate data provider, to integrate ESG metrics onto factsheets.

With all the care over naming and signposting, the Trustees are comfortable that in relation to the new self-select fund range, the labelling and description of ESG themes are presented in ways Members can understand.

The revised self-select fund range, to be called the AMT Fund Range, will adopt a new naming structure to be simple and consistent, and reflect Members' understanding of investment terminology.

## Changes to Core Fund Range

Following input from the Scheme's investment adviser, Isio, and Aegon, the Trustees decided to make the following changes to the Core Fund Range (to be known as the AMT Fund Range).

Some self-select funds will be removed from the current range, either:

- because they are now duplicated by other strategies in the range (for instance the reason the Aegon LGIM Ethical Global Equity fund was in the range is now covered by other funds that have improved their sustainable focus), or
- because the fund style is out of line with current market practice (for instance the Aegon BlackRock World 30:70 Currency Hedged Equity fund has a 'traditional' UK investment bias to the assets it invests in that is no longer regular practice).
- individual regional equity funds will be added to the range to allow Members to build their own geographical split.

Some funds (for instance the Aegon Property Fund) are being replaced as the view was taken that there are better options now available. In this instance, concerns around the liquidity of the existing fund were a key driver for its replacement.

Some funds will be added to ensure Members have diverse options (for instance global funds with a wider investment landscape than more regional funds) or specific circumstance (for instance funds invested with a specific outcome in mind like income).



Other funds will be added to ensure the funds offered provide Members with choice on their responsible investment focus. There will be clear labelling of these funds so Members can identify if the responsible investment focus is achieved through:

- **exclusions** (excluding certain sectors, companies, countries, or issuers that do not meet minimum business practices based on international norms or conventions),
- **sustainability focused** (specifically targeting investments that fulfil certain sustainability criteria e.g. tilting and/or delivering on specific and measurable sustainability outcome(s)), or
- **traditional** (providing limited or no regard for environmental, social, governance and ethical factors in investment decision making). The Trustees intend to review the inclusion of any funds in the category traditional on a regular basis. Whilst the Trustees consider it is not appropriate, at this time, to not offer such funds their longer-term preference is to see this category removed from the fund range.

In line with the design principles the new cash fund will have a similar yield, same overall fees, similar expected performance as the cash fund currently in use but adds an ESG tilt. This means the cash fund will not utilise securities that derive more than 5% of their revenue from fossil fuels mining, exploration, or refinement or from thermal coal or nuclear energy based power generation. More information on ESG tilts can be found in the **Trustees' Taskforce on Climate-related Financial Disclosures (TCFD) report**.

The Trustees have sought to balance simplicity of choice with ensuring a broad range of options. The new AMT Fund Range will consist of 25 self-select funds in addition to the 3 standard default options. This number is in line with, or higher than, the average fund range size of the Scheme's peer group. Funds have only been added where the Trustees believe they have clear benefits, and where the Trustees can identify Member demand. The Trustees maintain their preference for passive funds, only adding active funds where there is clear opportunity for Members that is not available through passive funds and that justifies the higher costs and potential risks.

The planning for the changes to the Core Fund Range has included how to communicate with Members who are invested in any fund that is affected by these changes. To ensure clarity of choice these Members will be asked to select a fund from the new AMT Fund range. Where the Member doesn't select a new fund, their investment in the fund which is being withdrawn will be moved to the relevant default arrangement.

The AMT Fund Range was made available to new business at the start of the 2023-24 Scheme Year, and the SIP was updated to reflect this in May 2023. The AMT Fund Range will be made available to existing Members through the 2023/24 Scheme Year, and the SIP will be updated to reflect those changes. The next annual statement will include details of the implementation of these changes.



## Advised (Bespoke) Notional Sections self-select fund ranges

The Trustees monitor the performance of any self-select funds offered in the Advised (Bespoke) Notional Sections in the same way and to the same depth as the standard self-select fund range. This includes a cycle of full fund reviews, and ad hoc reviews as required by regulations.

All Advised (Bespoke) Notional Sections are subject to a review by independent investment advisers, at least every three years and without delay after any significant change in investment policy.

In the 2021-22 scheme year, the Trustees received advice from Isio in relation to six of the Advised (Bespoke) Notional Section fund ranges. This broadly concluded, in all cases, that reverting to the standard self-select range would offer Members a better and more well-rounded choice of self-select options.

Following the advice from the independent investment advisers, several Advised (Bespoke) Notional Sections self-select fund ranges are being simplified during the 2023-24 Scheme Year, at the same time as the new AMT Fund Range is introduced to avoid disrupting Members twice.

Details of the fund choices and changes to Advised (Bespoke) Notional Sections have been provided to the relevant Members and are in the updated SIP adopted on 14 September 2023.

### Chair's comment

We are pleased to introduce the new fund range which will provide Members with access to more investment choice globally and further integrates environmental, social and governance (ESG) considerations into the AMT investment options.





## Responsible investment

The Trustees believe it is essential to advance the Responsible investment credentials of the Scheme. In part this is because of the international scientific consensus that there is a need to reduce carbon emissions, but also because the opportunities in supporting the transition to a low-carbon economy can benefit Members' pension savings.

The Scheme Year has seen good progress in addressing climate-related risks and opportunities. In the Trustees view, the value of the foundational work in previous scheme years is clear. Progress in the transition of Aegon BlackRock LifePath funds to greater ESG asset allocation is documented above. The work to redesign the AMT Fund Range, to be introduced next Scheme Year, has been driven by the Trustees desire to create a responsible investment offering to meet Members' own personal choices and beliefs (see above).

The detail of the Trustees' activities in relation to climate-related risks and opportunities and the measurement of the Scheme's progress is in the Trustees' Taskforce on Climate-related Financial Disclosures (TCFD) report. The Trustees' responsible investment beliefs can be found in the SIP.



## Taskforce on Climate-related Financial Disclosures (TCFD) Report

The Trustees are required to produce a TCFD report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. Our TCFD report can be found in Appendix 5.

## Non-financial considerations

The Trustees' primary focus is on financial factors and their impact on Members. However, from a non-financial perspective, the Trustees welcome feedback about the fund range and specific investment concerns. In the event of significant Member interest in a particular theme or investment matter, the Trustees may decide it is appropriate to seek investment advice as to any changes that could be made. The Trustees do not have an explicit policy for non-financial considerations, but they can take account of such considerations and will also consider any views expressed to them by Members.

## Statement of Investment Principles (SIP)

The full SIP document is attached in Appendix 3 to the Statement where you can find more information about the default and other funds available under the Scheme.

The SIP is available online at [aegon.co.uk/employer/what-we-offer/targetplan/aegon-master-trust](https://aegon.co.uk/employer/what-we-offer/targetplan/aegon-master-trust).

# Section 4:

## Member borne charges and transaction costs



### Fund Charges

Members pay three types of fund charge:

- Annual Management Charge (AMC),
- Annual Additional Expenses (AAE) and
- Transaction Costs.

#### Annual Management Charge (AMC)

Annual Management Charge (AMC) covers both Aegon's administration fee for servicing a Member's pension, and the asset manager's fee for managing the funds which the Member is invested in. The actual AMC paid depends on the investment fund selected, commercial terms Aegon has agreed with the Member's employer, and the terms agreed with the asset manager.

#### Additional Annual Expenses (AAE)

The additional expenses are paid from the fund and cover professional services that are necessary to run the fund. These include services like custody services (holding assets for safe keeping, collecting income, recordkeeping, and reporting), audit fees paid to accounting firms and auditors for the statutory annual financial statements, and depositary services that oversee how funds are managed to keep assets safe.

#### Transaction costs

Transaction costs are incurred by funds when their underlying securities, e.g. bonds and shares, are bought and sold. Transaction costs include:

- Explicit costs, such as trading, stamp duty and dealing fees, and
- Implicit costs such as the difference in price of a stock from the time an order is placed to the time it is executed, known as 'slippage'.

A fund can show negative transaction costs, for instance when the market price of stocks being purchased fall more frequently than rise between the order being placed and executed. This can be prevalent in more stressed market conditions when asset prices may generally be declining.

A Member can find details of their fund charges in the Scheme documentation and in fund factsheets. The tables within Appendix 2 list the fund transaction costs along with details of the AMC and AAE charges.

The fund charges are reflected in the price of the fund, as they are automatically deducted and performance reporting in respect of a Member's investment is after these costs have been paid.



A fund's transaction costs are not directly within Aegon's control. However, Aegon uses a number of processes and controls to minimise transaction costs, such as by grouping the daily Member requests to buy or sell a particular fund into a single transaction, to avoid multiple transaction costs. Aegon also monitors the costs and performance of asset managers used in the Scheme.

Each fund has a pre-determined asset allocation that is designed to meet the fund's objectives. Over time the actual performance of a fund will begin to change that pre-determined asset allocation as the assets held in the fund change their value. To address this, funds are periodically rebalanced back to their intended asset allocation. Rebalancing can generate transaction costs, though these are expected to be marginal. Aegon is unable to show the transaction costs from their rebalancing activity.





## Illustrations of the cumulative effect of costs and charges

The Trustees have provided illustrative examples showing the growing effect of costs and charges over time on pension savings for an example Member based on assumptions below.

The illustrative examples of the cumulative effect of costs and charges on Member savings are calculated on the FCA COBS basis as permitted by the DWP Statutory Guidance.

### Assumptions

- The current age is 16 and retirement age is 65.
- The current salary is £35,000 and will increase each year by 3.5%.
- Future contributions paid will be 10% of the salary (£291.67 each month increasing by 3.5% each year in line with assumed salary increases).
- The existing fund value is £5,000.
- This illustrative example uses the default Aegon BlackRock Lifepath Flexi investment option that the majority of Members invest in.
- This illustrative example also shows the Aegon BlackRock UK Equity Index fund and the Aegon BlackRock Property fund to show the funds with the lowest and highest charges across the Master Trust.
- In addition, the illustrative example includes the Aegon BlackRock Cash fund as this fund was used as the default replacement fund for new investments in the Aegon BlackRock Property fund whilst the fund was suspended. For more information on the use of the Aegon Cash Fund as a default in some circumstances, please see the Statement of Investment Principles (SIP).

### Inflation and investment growth assumptions

This illustrative example takes into account the DWP's Statutory Guidance (*Reporting of costs, charges and other information: guidance for Trustees and managers of occupational schemes*).

In line with the DWP Statutory Guidance and in line with the FCA Conduct of Business Sourcebook (COBS) 13 Annex 2, inflation is assumed to be 2.0% every year.

The investment fund growth rate assumptions for FCA illustrations are set at an asset class level (rather than an individual fund level) and the growth rate for each fund calculated based on the proportionate holdings in each asset type. The illustrative examples use the same growth rates and calculations used for the FCA illustrations provided to Members. The future values shown before and after charges are in line with the COBS effects of charges table with the addition that the costs and charges also include transaction costs as required for these illustrative examples.



The assumptions are the value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are

derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

## Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed earlier in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds chosen over a period of time.

### Fund transactional charges and costs total (%)

	Aegon BlackRock Lifepath Flexi (default)	Aegon BlackRock UK Equity Index (BLK)	Aegon BlackRock Property (BLK)	Aegon BlackRock Cash (BLK)
Growth	-1.30% to 3.00%*	3.00%	1.73%	-1.30%
Annual Management Charge (AMC)	0.27%	0.10%	0.66%	0.20%
Additional Annual Expenses (AAE)	0.00%	0.00%	0.68%	0.03%
Transaction Costs (TC)	0.06%	0.04%	0.08%	0.01%

\* The growth rate used for the LifePath fund varies through time based on the underlying asset mix.

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

**AMC** is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

**AAE** are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

**TC** are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 01/04/18 to 31/03/23



## The impact of transaction costs and charges on fund values (£)

The 'Before charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Aegon BlackRock Lifepath Flexi (default)		
Years	Before charges	After all charges
1	8605	8582
3	16158	16051
5	24186	23939
10	46482	45616
15	72271	70329
20	101975	98407
25	136064	130209
30	175059	166129
35	219536	206599
40	270133	252093
45	327557	303129
49	378934	348326

Aegon BlackRock UK Equity Index (BLK)		
Years	Before charges	After all charges
1	8668	8658
3	16483	16437
5	24975	24866
10	49474	49074
15	79302	78366
20	115397	113600
25	158848	155768
30	210923	206017
35	273095	265670
40	347075	336255
45	434845	419534
49	516528	496651

Aegon BlackRock Property (BLK)		
Years	Before charges	After all charges
1	8579	8491
3	16064	15662
5	24005	23090
10	45987	42842
15	71300	64387
20	100333	87866
25	133516	113429
30	171326	141240
35	214286	171474
40	262977	204320
45	318037	239981
49	367140	270682

Aegon BlackRock Cash (BLK)		
Years	Before charges	After all charges
1	8379	8363
3	15157	15085
5	21968	21810
10	39171	38668
15	56692	55670
20	74618	72911
25	93038	90486
30	112044	108495
35	131732	127036
40	152201	146212
45	173555	166128
49	191350	182667

## Additional illustrations

In addition, the Trustees have provided a number of additional illustrative examples which could be more relevant to Members. These additional illustrations include details of the default fund that applies if a Member is in an Employer's Bespoke section. You can access these here [Master Trust Chair's statement](#).

## Net investment returns for Default funds using lifestyle strategy.

The tables below show the net investment returns for Members aged 25, 45 and 55 at the start of the Scheme Year, for the Default funds that utilise a lifestyling strategy – these are Aegon BlackRock Lifepath Flexi, Aegon BlackRock Lifepath Retirement and Aegon BlackRock Lifepath Capital.

The net investment return data for default funds was produced in accordance with the DWP statutory guidance, *Reporting of costs, charges, and other information: guidance for trustees and managers of occupational schemes*.

The net performance for the different share classes for all funds are provided in [Appendix 6](#).

### Standard default – net investment returns for members aged 25, 45 and 55

25-year-old Member													
Period	Gross return % pa	Share class net investment returns % pa											
		Class W	Class J	Class I5	Class D	Class P	Class I1	Class E	Class H	Class Q	Class Y	Class G	Class I7
<b>Flexi</b>													
1 year	-4.51	-4.72	-4.66	-4.70	-4.76	-4.69	-4.64	-5.01	-4.78	-4.73	-4.88	-4.83	-4.75
3 years	15.37	15.12	15.19	15.14	N/A	15.14	15.22	14.79	15.03	15.09	14.92	14.98	15.06
5 years	7.59	N/A	N/A	N/A	N/A	7.39	7.46	7.07	7.28	7.34	7.18	7.23	7.30
<b>Retirement</b>													
1 year	-4.57	-4.80	-4.81	-4.82	-4.80	-4.80	-4.72	-5.08	-4.84	-4.84	-4.89	-4.90	-4.84
3 years	15.34	15.05	15.11	15.04	N/A	15.06	15.17	14.76	15.01	15.04	14.93	14.95	15.01
5 years	7.59	N/A	N/A	N/A	N/A	7.34	7.44	7.05	7.27	7.30	7.20	7.22	7.27
<b>Capital</b>													
1 year	-4.55	-4.78	-4.78	-4.80	-4.80	-4.78	-4.60	-5.05	-4.83	-4.82	-4.92	-4.86	-4.81
3 years	15.34	15.04	15.11	15.05	N/A	15.06	15.25	14.76	15.00	15.05	14.89	14.95	15.01
5 years	7.62	N/A	N/A	N/A	N/A	7.37	7.51	7.11	7.31	7.35	7.21	7.26	7.32

## 45-year-old Member

Period	Gross return % pa	Share class net investment returns % pa											
		Class W	Class J	Class I5	Class D	Class P	Class I1	Class E	Class H	Class Q	Class Y	Class G	Class I7
<b>Flexi</b>													
1 year	-4.81	-6.66	-6.60	-6.65	-6.67	-6.63	-6.59	-6.91	-6.73	-6.68	-6.82	-6.78	-6.71
3 years	15.01	12.66	12.72	12.68	N/A	12.69	12.74	12.35	12.58	12.63	12.46	12.52	12.60
5 years	7.32	N/A	N/A	N/A	N/A	6.35	6.40	6.03	6.24	6.29	6.14	6.19	6.26
<b>Retirement</b>													
1 year	-6.46	-6.66	-6.60	-6.70	-6.71	-6.63	-6.51	-6.91	-6.73	-6.68	-6.82	-6.77	-6.71
3 years	12.90	12.65	12.73	12.60	N/A	12.68	12.80	12.35	12.57	12.63	12.46	12.52	12.59
5 years	6.53	N/A	N/A	N/A	n/A	6.29	6.42	6.01	6.22	6.27	6.11	6.17	6.66
<b>Capital</b>													
1 year	-6.46	-6.69	-6.61	-6.70	-6.70	-6.63	-6.59	-6.91	-6.73	-6.68	-6.82	-6.77	-6.71
3 years	12.90	12.61	12.73	12.60	N/A	12.68	12.74	12.35	12.57	12.63	12.46	12.52	12.59
5 years	6.54	N/A	N/A	N/A	N/A	6.33	6.45	6.02	6.23	6.28	6.12	6.18	6.25

55-year-old Member													
Period	Gross return % pa	Share class net investment returns % pa											
		Class W	Class J	Class I5	Class D	Class P	Class I1	Class E	Class H	Class Q	Class Y	Class G	Class I7
<b>Flexi</b>													
1 year	-9.03	-9.23	-9.18	-9.21	-9.24	-9.20	-9.16	-9.48	-9.29	-9.25	-9.39	-9.34	-9.28
3 years	7.66	7.43	7.49	7.44	N/A	7.46	7.51	7.13	7.35	7.40	7.24	7.29	7.37
5 years	4.32	N/A	N/A	N/A	N/A	4.13	4.18	3.82	4.02	4.07	3.92	3.97	4.05
<b>Retirement</b>													
1 year	-8.99	-9.23	-9.15	-9.24	-9.24	-9.16	-9.12	-9.43	-9.25	-9.21	-9.34	-9.30	-9.24
3 years	7.67	7.39	7.49	7.38	N/A	7.47	7.53	7.15	7.36	7.42	7.26	7.31	7.39
5 years	4.33	N/A	N/A	N/A	N/A	4.13	4.19	3.82	4.03	4.08	3.93	3.98	4.39
<b>Capital</b>													
1 year	-9.09	-9.33	-9.23	-9.26	-9.32	-9.26	-9.22	-9.59	-9.35	-9.31	-9.44	-9.40	-9.34
3 years	7.64	7.36	7.48	7.40	N/A	7.44	7.49	7.08	7.33	7.38	7.22	7.28	7.35
5 years	4.31	N/A	N/A	N/A	N/A	4.11	4.16	3.80	4.01	4.06	3.90	3.95	4.01

Source: Aegon, 31 March 2023. N/A indicates share-classes where the fund has not been running long enough for performance over that time period to be available.

## Sun Life of Canada 2015 Employee Pension Plan bespoke default strategy

On 22 June 2022, Members in the Sun Life of Canada 2015 Employee Pension Plan Bespoke Notional Section were moved from a bespoke default strategy to Aegon BlackRock LifePath strategies. The Trustees, therefore, will not be providing net investment return data for the Sun Life of Canada 2015 Employee Pension Plan bespoke default strategy for this Scheme Year.

### Chair's comment

We are pleased to provide you with details of costs and charges and show you how these affect the value of pension savings over time. We hope you will take a look at the illustrations to help give you an understanding of the impact of the costs and charges.



# Section 5:

## Core financial transactions

During the Scheme Year, the Trustees must make sure that core financial transactions within the Scheme are processed promptly and accurately by Aegon, as our administration service provider.

Operational challenges, caused by high staff absence and staff leaving the business, were noted in last year's statement. To improve the service provided to Members, Aegon has made significant investment into staff recruitment and retention. This took time to embed during Q2 and Q3 of 2022, as training and accreditation of new staff took place. Backlogs and delays in responding to Member enquiries led to poor Member experience, which also led to a reduction in the overall net promoter score during 2022. The net promoter score is widely used within the Financial Services industry as a way of measuring customer levels of satisfaction with the service they have received. Further information is provided under the heading Progress made on customer service below.

### Performance compared to service level targets

The Trustees have a service level agreement in place with Aegon. This covers the accuracy and timing of core financial transactions. Examples of how well Aegon has performed against service

Throughout this period, to minimise any Member detriment, priority has always been given to core financial transactions. Aegon continue to deliver a hybrid working model with staff doing a mixture of working from home and in the office. This is to ensure service can be delivered effectively, with collaborative working and an engaged workforce. Between 1 January 2023 to 31 March 2023, Aegon has met the required standards.

### Core financial transactions under the Scheme

These include:

- a. the investment of contributions;
- b. transfers of assets relating to Members into and out of the Scheme;
- c. switching between investment funds within the Scheme; and
- d. payments out of the Scheme to, or in respect of, Members and beneficiaries.

level targets, for processing core transactions during the Scheme year, are set out in the table below.

**Table: 2022 / 2023 Scheme Year, Aegon's performance against service level targets**

Transaction Type	Service Level Agreement (SLA) Target	Actual SLA achieved during the Scheme Year
Investment of contributions	100% in 2 days	98.2%
Transfers into the Scheme	95% in 5 days	*86.9%
Transfers from the Scheme	95% in 5 days	98.7%
Switching between investment funds within the Scheme	100% in 1 day	97.3%
Payments out of the Scheme to Members / beneficiaries (Retirements, Bereavements, Refunds)	95% in 5 days	*94.2%
Total SLA	95%	88.6%

\*These figures include non-financially critical parts of the process, such as gathering required forms and Member identification and verification, which has impacted the overall service level performance. All financially critical parts of the process achieved over 95%. In the case of a transfer into the Scheme this means the purchase of units and allocation to the Members account. In the case of a payment out this means the sale of units and payment of funds out of the Scheme.

## How the core financial transactions are monitored

- The Aegon workplace customer services (operations) team review service and capacity daily to ensure they deliver the best service for Members.
- A quality assurance team, which is functionally independent from the Aegon workplace business, reviews 100% of financial transactions including contribution processing, fund investment movements and money out transactions. This is to ensure no Member harm, error, or delays.
- Within Aegon UK, there is a control framework in place that includes various daily, weekly, or monthly controls which overlay the documented procedures that the teams follow. The controls are designed to ensure that all procedures / processes are carried out in a timely and accurate way and remain compliant with legislation and regulations. The controls are monitored by a control assurance team, which provide independent oversight from outside the workplace operations teams. Process owners within control assurance must confirm that the various control actions have been completed according to the controls protocol.
- The Trustees review the extensive information provided by Aegon about its performance, against the service level targets, on a quarterly basis. This includes a detailed explanation of areas where Aegon has been unable to meet service level targets. Representatives from Aegon's operational teams attend Trustee Board meetings to explain the most recent quarter's results and answer any questions the Trustees have about the services. This includes reviewing complaints, incidents and breaches.

- The Trustees undertake site visits to Aegon offices where the Trustees see transactions being processed. The Trustees talk to the Aegon employees who carry out the Scheme administration services, get their feedback, listen in to calls from members, and discuss any resourcing issues. Site visits took place in May and December 2022. The next site visit is planned for December 2023.
- Where necessary, the Trustees discuss and agree service improvement plans with Aegon, and monitor progress in meeting those plans.
- The Trustees review complaints from our Members on a quarterly basis. This is with a view to identifying any areas of concern. If there are areas of concern, the Trustees ask Aegon to review and propose possible changes to procedures or communications to resolve the issue identified.
- The Trustees use an external firm to carry out an independent assurance report (in line with the Assurance Audit Framework (AAF) 05/20 standard) This looks at the Scheme's governance activities, arrangements, relevant systems and processes. The latest assurance report was carried out for the period 1 January 2022 up to 31 December 2022. The Trustees carefully review the findings, which include scrutiny of core financial transactions. Improvement plans are made and implemented if necessary.
- In addition, the Trustees review the independently audited assurance report on the controls Aegon has in place over its activities as a provider of workplace pension administration services (in line with the AAF 01/20 standard). This is carried out by an independent practitioner on behalf of Aegon. The most recent audit covered the period 1 October 2021 to 30 September 2022.

## Progress made on customer service

Aegon has continued to stabilise service levels, which has made their operations more resilient. Aegon UK has increased its staff numbers within customer service:

- by 12% from 1 April 2022 to 31 December 2022, and
- by a further 13% from 1 January to 31 March 2023.

This is one year ahead of target staff levels required to administer the expected work levels that have been projected for this Scheme year.

Aegon has invested significant time in training to ensure accredited employees are in place to meet member demand, when new employers join the Scheme.

Accredited employees are those who are trained in a process, their work is checked and monitored for a period of time until they reach the required accuracy levels, at which point they will be deemed accredited or competent in that process.

To decrease employee turnover, Aegon continues to provide competitive pay ranges. In addition, it has implemented a policy to support employees with cost of living payments.

Other initiatives to support members include:

- clearer interactive messaging for those calling the contact centre to manage expectations,
- improvements on the on-line retirement processes and
- enhancement to on-line member journeys.

Aegon is committed to continuing to invest in the administration services as the Scheme grows.

Aegon continues to use the Net Promoter Score (NPS) to measure Member satisfaction with the Scheme. The overall net promoter score for the period has improved during the Scheme Year, with an average rolling 6-month NPS score of +31.3 compared to +15.4 in the same period last year. The Trustees note there were a higher number of complaints from Members than usual, from May to October 2022, as Aegon reduced a backlog of outstanding work and recovered expected service levels. There was a significant decrease in complaints at the end of 2022 and into Q1 2023. The main complaint type seen during the period from May to October 2022 was about how long it took Aegon to respond to Member queries.

### Chair's comment

Following the investment and changes Aegon has made to service, to enable a return to a good level of service, we have seen signs of improvement. Although we need to see this continue over a prolonged period before we can be confident that service has returned to the levels you require. We are pleased to report core financial transactions were processed promptly and accurately during the Scheme Year.



# Section 6:

## Good Value for Members Assessment

When assessing the charges and transaction costs Members pay, the Trustees need to consider whether the investment options and benefits offered by the Scheme represent good value when compared to other options available in the market.

It's very important to the Trustees that Members, receive good value for the charges and transactions costs they incur. Good value means different things to different people, so the Trustees consider a number of different things when the Trustees undertake regular reviews, including levels of charges, the available investment funds and how they're performing, the support available to Members to help them plan for retirement, how the Scheme is managed and administered, and the information and tools that are available to Members.

The Trustees receive regular reporting from Aegon on the return of investments from the default and Core Fund Range, further information regarding the return on investments can be found in **Appendix 6** of this Statement. In addition, the Trustees also review and assess the charges borne by members and further information on these charges can be found in **Appendix 2** of this Statement.

The Trustees are provided with comprehensive reports from Aegon, as our administration service provider, to inform our thinking. The Trustees have robust discussions with Aegon about the services Members receive, and the improvements that can be introduced. Aegon is keen to work with the Trustees to provide a continuous improvement programme.

During the Scheme Year, the Trustees received regular updates from the administration team at Aegon to discuss the service provided. The Trustees spoke to the administration team to develop a greater understanding of their systems and processes and discussed any resourcing issues. These updates continued to give us an improving picture on the service being delivered, training and staffing levels, which have all improved in 2023. The Trustees also carried out on-site visits to Aegon offices see first hand the service being delivered.

The Trustees commissioned Isio to help them carry out an independent assessment, for the Scheme Year ended 31 March 2023 of whether the Scheme offers good value for Members. The assessment covers nine areas the Trustees believe are of great importance to Members, the Trustees have asked Isio to assess the offering the Scheme provides against its peers. The assessment rated each area as either: mostly market leading; mostly in line with comparators; or mostly in line with the minimum expected (e.g. by legislation).

Isio presented their report at the meeting of the Trustee Board on 1 June 2023, and reported that the Value for Members assessment for the Scheme was mostly market leading in 5 / 9 areas whilst being mostly in line with the market in the other areas.

Here is a brief summary of their findings, but please let us know if you would like more detail, as we'll be happy to provide it.



## Areas where the Aegon Master Trust is mostly market leading:

**Scheme changes:** Members are provided with clear, up-front information about charges applying to different investment funds. The AMC for LifePath funds incorporates the fund expenses. The other funds have a further explicit cost above the AMC, to reflect additional expenses such as fees paid to custodians, auditors and registrars. In addition to AMC and fund expenses, all funds experience transaction costs which are paid for within the fund.

Isio noted that the Scheme's charges are competitive, and the assessment score reflected the overall competitiveness of the default fund charges, and the transparency of charges to Members. The Trustees remain confident that Member borne costs and charges represent good value for Members against the nature and quality of benefits and services received.

**Wider fund range:** In 2022, the Trustees, undertook a significant review of the wider fund range, looking at which funds should be made available to members with a key objective of ensuring appropriate breadth of choice and incorporation of funds where ESG criteria is embedded in the investment decision making process. Isio have assessed the changes that were communicated and view them as a marked improvement to the core fund range. In terms of performance, the majority of funds are passive and tracking their respective benchmarks, while the performance of the active funds is, in the main, satisfactory with a few being closely monitored. It should be noted that the new self-select fund range, known as the AMT Fund Range, will not be available to Members until the 2023-24 scheme year.

**Retirement options:** Isio commented that the Scheme is consistent with other market leaders in this category in being able to combine different targets for retirements, as a result of the target fund approach taken by LifePath.

**Retirement support:** Isio regarded the Scheme as being mostly market leading, noting the comprehensive level of support available for members both on the phone and online. This includes support from the annuity broking service, HUB Financial Solutions, if Members wish to consider using their pension pot to buy an annuity, free unlimited support from Aegon's guidance service, Aegon Assist, and discounted advice from Origen Financial Services.

**Governance:** Isio considered two aspects of governance, the role the Trustees play and the support offered to employers to enable them to monitor the service Members receive. The Trustees provide strong support for employers undertaking their own governance, such as to receive management information (MI) in different forms and to obtain insight from member behaviour most notably using Member Insights, a scheme governance tool which allows data / reports to be reviewed across factors such as contributions, membership, assets under management. This MI can then be used by employers to run communication campaigns with members. The Trustees operate a fully independent Trustee Board with focussed sub committees in place on communications and investments, which meet regularly. Finally, the Trustees make themselves available at six monthly employer forums.

## Areas where the Aegon Master Trust is in line with the market:

**Scheme Overview:** Isio assessed this category as mostly in line with the market, highlighting that the Scheme has a comparable size in terms of assets under management to many competitors (although some competitors are significantly larger), with a clear commitment to the Scheme evidenced by investment in developing the proposition.

**Default Investment strategy and performance:** Isio remain positive on the LifePath solution and believe it continues to offer value for members, with the objectives and approach remaining consistent over time, and the level of risk taken at all stages of the strategy remaining appropriate. ISIO believe however that the levels of innovation over recent years haven't always matched competitors, and as such have been caught up by others. Isio are pleased to see significant review of Lifepath underway, with positive changes expected in 2024, however feel there has been a lack of communication and transparency so far on what these changes might entail.

**Administration:** In this category, Isio recognised that the Trustees have agreed standards for the administration of Members' pension benefits, and that the Trustees monitor performance against these regularly. The Trustees also regularly review the level and nature of any complaints made, to identify areas for improvement. Isio noted that the operation of the administration function is broadly in line with the market but did miss service level targets in some months of the Scheme Year. Isio also noted however that service levels have improved considerably in 2023. Aegon continues to work in line with challenging service levels, has a strong resource and scenario planning model in place and expect to see this improvement continue.

**Education and engagement:** Isio have rated the Scheme as being mostly in line with the market, highlighting the wide range of good quality guidance and engagement material available to Members. Aegon provides personalised video benefit summaries which can be viewed through TargetPlan and provide an update to the Member on current fund values, however, don't offer this functionality on the app whereas competitors do. Isio also noted that more could be done to develop nudge based communications to encourage members to take action, and to develop key online member journeys, but recognised there is work underway in this respect.

### Chair's comment

Based on the Trustees assessment of the key areas throughout the Scheme Year we consider the Scheme is offering good value for members, and this view is supported by Isio's independent assessment.

# Section 7:

## Member representation and views

The Trustees are always very keen to hear Members' thoughts on the Scheme. The trustees would like to hear Members' views directly by email via [yourMT@aegon.co.uk](mailto:yourMT@aegon.co.uk)<sup>\*</sup>. Members can also contact the Aegon via our helpline (01733 353460 – Monday to Friday 9am to 5pm<sup>\*\*</sup>) or by writing directly to the Trustees at Aegon UK plc, Edinburgh Park, 1-3 Lochside Crescent, Edinburgh, EH12 9SE.

We actively encourage our Members to contact the Trustees with any feedback they have. Aegon have created a number of different routes for Members to provide feedback.

- **Feedback to Individual Trustees** In the Master Trust area of the Aegon website the Trustees share the profiles of each of the Trustees. There is access to an email link for Members to send each of the Trustees feedback directly.
- **Net Promoter Score** When Aegon interact with Scheme members they actively ask Members for feedback through the Net Promoter Score (NPS) programme. This is shared with the Trustees as part of regular scheme monitoring. It gives the Trustees valuable information on how the Member has found their experience with Aegon.

- **Ongoing survey programme** Aegon carries out ongoing surveys to ask Members a range of questions on key areas such as investment choice and returns, costs and charges. This enables the Trustees to understand how Members view the performance of the Scheme.
- **Member panel** Aegon have a dedicated Scheme member panel and encourage Members to sign up to it. The aim is to carry out quick polls to understand how often Members want to hear from Aegon and the Trustees, topics of interest and webinars they would find interesting. This is to help align Aegon and the Trustees future communication strategy.

The Trustees would like to thank Members who have engaged through each of these routes – the feedback is invaluable.

## Scheme Employer Forum

The Trustees and Aegon held their most recent forum for participating employers on 28 November 2022. The forum is an opportunity for the attendees to share their feedback and thoughts with the Trustees directly on a number of topics. The forum focused on a review of the investments available to the Scheme, including the new fund range. The Trustees' approach to supporting vulnerable customers was also discussed. Especially in relation to the effect of the cost of living crisis and the vulnerability of employees. The Employer Forum is important to Aegon and the Trustees. They appreciate having a platform to share developments relating to both employers and members. And to demonstrate how Aegon are continually adding extra value and benefits to the Scheme which will, in turn, help improve the financial outcomes for members.

There is another forum planned for 2023. Again, Aegon will be inviting participating employers to join the Trustees and Aegon experts in topical discussion, sharing new insights and how we can help support Members.

## Scheme Quarterly Newsletter

Employers receive a dedicated Aegon Master Trust quarterly newsletter which is used by the Trustees to make announcements. Along with other engaging, insightful and helpful articles about topics such as long-term savings, retirement and investments. This is for employers to read and share with members. **Please make sure your email address is up to date and accurate to receive this quarterly newsletter.**

If you have any comments or feedback on this statement or the operation of your pension arrangement, please email the Trustees at [yourMT@aegon.co.uk](mailto:yourMT@aegon.co.uk).

This statement has been prepared in accordance with Regulation 23 to Regulation 26 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Chairman's statement can be accessed online at

<https://www.aegon.co.uk/workplace/employers/targetplan/master-trust.html>

You will be notified of the Chairman's statement and where you can find a copy in your annual benefit statement.

Signed on behalf of the Trustees of the Aegon Master Trust:

**Position: Chair of the Aegon Master Trust Board**

**Name: Ian Pittaway for and on behalf of Independent Trustee Limited**

**Date: 14 September 2023**

\*Emailing sensitive information

If contacting us by email, please don't include any personal, financial, or banking information as email isn't a secure method of communication. If you decide to send information in this way, you're doing so at your own risk as there's no guarantee that any email sent by you to us will be received or remain private during transmission.

# Appendix 1

## Trustees' Profiles

The Trustees have set out more details about the Trustee Board, including:

- what it means to be an affiliated and non-affiliated trustee,
- how the trustees of the Scheme are selected and
- trustees' knowledge and understanding, including training plans.

### The Trustees



#### **Independent Trustee Limited, represented by Ian Pittaway** **Chair of Scheme Trustee Board and Non-affiliated Trustee**

Ian Pittaway, as representative of Independent Trustee Limited, has been a trustee of the Aegon Master Trust and Chair of the trustees since 1 July 2018. He is a former senior partner of Sacker & Partners, a law firm in the City of London specialising in pensions. He previously acted as legal adviser for several pension schemes and has gained extensive pensions law experience on a wide range of issues. This includes acting as an arbitrator and as an expert witness in court proceedings.

As an independent chair of trustees of several pension funds, Ian has extensive experience of the issues faced by trustee boards. He's a former chair of the Association of Professional Pension Trustees (APPT), and a former chair and secretary of the Association of Pensions Lawyers. He writes extensively for the pensions and national press, and lectures widely.

Ian is the current chair of the Aegon UK Independent Governance Committee (IGC).





**Zedra Governance Limited\***, represented by **Alison Bostock**  
**Non-affiliated Trustee**

Alison Bostock has worked in pensions since 1990, advising trustees and sponsors of defined benefit and DC pension schemes. Since 2015, she has been working full time as a professional trustee, with a range of appointments to DB and DC schemes, as well as group life master trusts. She is an accredited professional pension trustee and currently serves on the council of the APPT.

Alison possesses a strong working knowledge of pensions and trust law and the regulatory requirements for DC schemes. Along with an understanding of the principles of investing to provide a retirement income taking account of risk appetites and the expected methods of withdrawing benefits. She has carried out value for members assessments and prepared and signed off Chair's annual statements for DC schemes. She's also served on the Zedra Governance Advisory Arrangement which was involved in value for money assessments for workplace pension schemes.

Alison's trustee experience includes setting and implementing investment strategies for DC schemes through both active and passive investment approaches. As well as monitoring and reviewing strategies and managers. She is a fellow of the Institute and Faculty of Actuaries and holds the Pension Management Institute Certificate in DC Governance.

Alison is a member of the Scheme Investment Sub-Committee and is a member of Aegon's Independent Governance Committee.

\*PTL Governance Ltd changed its name to ZEDRA Governance Limited on 7 July 2022 following the acquisition by ZEDRA.



**Helen Parker**  
**Non-affiliated Trustee**  
**(appointed 13 May 2020)**

Helen Parker has 30 years' experience working on consumer issues, first in executive roles and now as a non-executive. She was a member of the senior leadership team of Which?, Europe's largest independent consumer organisation, for more than a decade. This included serving as editorial director, responsible for the organisation's independent information and advice services. And later as Policy Director, responsible for the evidence that underpinned its campaigning on behalf of all UK consumers.

Helen has several non-executive roles with a focus on consumer engagement and protection. She is a deputy chair of the Financial Services Compensation Scheme, which protects consumers when authorised financial services firms fail. She is also a non-executive committee member of Healthwatch England, the independent national champion for people who use health and social care services. She is a member of the End User Advisory Council for Pay.UK and a member of the Office of Rail and Road's Consumer Expert Panel.

Helen is chair of the Scheme Communications and Engagement Sub-Committee and a member of Aegon's Independent Governance Committee.



**Graeme Griffiths**  
Non-affiliated Trustee  
(appointed 1 June 2021)

Graeme Griffiths brings more than 40 years' experience in corporate finance, asset management and responsible investment. In corporate finance, he worked for two decades with J.P. Morgan and KPMG, latterly as head of European M&A. In these roles, he advised numerous corporate clients on a variety of M&A and other corporate finance.

In 2005, Graeme made a career change into asset management, joining Alliance Bernstein as a member of their global value team. He subsequently joined Vontobel Asset Management, in their quality growth equity team. In 2016, he joined the Principles for Responsible Investment (the PRI), a responsible investment initiative supported by the UN and more than 5000 investor signatories. In Graeme's most recent role with the PRI, he served as its chief operating officer, overseeing its reporting, communications, IT, planning and online education functions, and as a member of its leadership team, until 2022.

Graeme is a non-executive director and nominations committee chair of the Chartered Alternative Investment Analyst (CAIA) Association. He is a co-opted finance and investment committee member of the Natasha Allergy Research Foundation. And the Royal Historical Society, and a member of the London Business School (LBS) alumni council and chair of its governance and nominations committee. He is a CAIA charter holder and an accredited member of the Association of Professional Pensions Trustees (APPT).

Graeme is chair of the Aegon Master Trust Investment Sub-Committee.

## Non-affiliated trustees

### All members of the Trustee Board were non-affiliated trustees, throughout the Scheme Year.

Non-affiliated trustees are broadly defined as being independent of any undertaking (business) which provides advisory, administration, investment or other services to the Scheme. It's a legal requirement that the majority of trustees of an authorised master trust, such as the Scheme, are non-affiliated trustees. Non-affiliated trustees are also restricted in the period of time they can be a trustee of an authorised master trust.

Trustees can be treated as non-affiliated for a single period of up to five years and up to ten years in total. If there is a gap of more than five years between appointments, the previous appointment is ignored when working out the total. Different rules apply to professional trustee bodies. They can be treated as non-affiliated for a single period of up to five years, but they are not restricted to any cumulative term. However, their individual representative cannot retain this role for more than ten years in total, regardless of any gap between appointments.

During the Scheme Year, Independent Trustees Limited (represented by Ian Pittaway, Chair of the Trustees), PTL Governance Limited (represented by Alison Bostock); Helen Parker; and Graeme Griffiths were independent of any undertaking which provides advisory, administration, investment or other services to the Scheme. They are classified as non-affiliated for the purposes of legislation.

Independent Trustee Limited, represented by Ian Pittaway; Zedra Governance Limited, represented by Alison Bostock; and Helen Parker, also sit on Aegon's Independent Governance Committee (IGC). Other master trusts have the same dual appointments. Based on the Financial Conduct Authority's Conduct of Business Sourcebook, the non-affiliated status of these trustees is not affected by their appointment to the IGC. The requirement to have a majority of non-affiliated trustees has therefore been met. No

changes were made to the non-affiliated trustees during the Scheme Year.

## Affiliated trustees

There were no affiliated trustees on the Trustee Board, during the Scheme Year.

## Conflict of Interest

The Trustees have a Conflicts of Interest Policy in place to ensure any conflicts are identified, considered and managed appropriately.

## Selection

Members of the Trustee Board have been carefully selected for their broad level of experience and expertise across legal, actuarial, communications, customer engagement, asset management, responsible investment and customer service. They have a deep understanding of pension management and governance. A strong collective skill set and connectivity into the Aegon business brings additional strength by providing the Trustee Board greater insight and understanding of the wider business. This enhances the Trustee's ability to drive change and deliver good outcomes and value for Members.

## Recruitment

The recruitment of trustees is carried out in accordance with:

- the Scheme Fit and Proper Framework and
- Master Trust Trustee: Recruitment and Appointment Process,

These were both adopted during the Scheme Year, on 31 May 2022.

### **Recruiting non-affiliated Trustees**

The Pensions Regulator and legislation requires that non-affiliated trustees must be recruited through an open and transparent recruitment process. Aegon carries out a robust, open and transparent recruitment process, with the engagement of a recruitment agency, for non-affiliated trustee searches. This includes, in accordance with applicable law and regulation the role being advertised publicly in an appropriate national publication and a long and then short list of candidates being identified and interviewed. To ensure a robust and effective selection procedure, competency-based interviews are carried out. A scoring matrix is used to objectively identify the strongest candidate.

### **Recruiting affiliated Trustees**

Recruitment of affiliated trustees involves a combination of:

- Aegon identifying individuals within the business with the relevant skill set and attributes to become trustees of the Scheme and,
- Ian Pittaway, as Chair of the Trustee Board and a non-affiliated trustee, being satisfied that the proposed affiliated trustees meet the requirements of the post of trustee.







# Trustees' knowledge and understanding

The Scheme is run by the Trustees. The Trustees operate a Fit and Proper Framework and they have provided evidence to TPR that they are Fit and Proper to be trustees.

The Trustees undertook a review of the balance of skills and experience in November 2022, using a questionnaire based on TPR's Sample Board Skills Matrix (amongst other questionnaires). This review showed that, individually and collectively:

- the Trustees have a balance of skills and experience appropriate for the Scheme and
- the knowledge and skills are spread throughout the Trustee Board and not concentrated in one or two trustees.

The individual trustees' broad and diverse range of skills and experience include those relating to DC Pensions, trusteeship, pensions law, investment, governance and administration. The results of this review are recorded in accordance with the Fit and Proper Framework.

As part of any recruitment process undertaken for the appointment of a new non-affiliated trustee, the current Trustee Board skills and experience are assessed for areas of enhancement.

## Competence of the Trustee Board and individual trustees

Most trustee training was undertaken at Trustee Board level, in the form of detailed presentations and updates ("deep dives") at Board meetings. This is to ensure the Trustees had the required knowledge and understanding of the Scheme across a broad range of areas. In addition, some training is delivered to the Trustees by third parties.

## Induction of New Trustees – Process

Under the Fit and Proper Framework, once a preferred trustee candidate has been identified, agreed with the Chair of the Trustees and the steps completed in relation to the candidate's appointment, the new trustee must follow an induction process. This process requires a new trustee to:

- complete the TPR Trustee toolkit within six months of appointment,
- complete the TPR and personal skills assessment questionnaires relating to that trustee's knowledge and understanding; and
- establish a customised induction training programme and personal development plan.

Each member of the Trustee Board has completed TPR's Trustee toolkit, completed the skills questionnaires, has an individual personal development plan in place and attended Trustee Board training sessions.

## Training

Under the Fit and Proper Framework, the Trustee Board undertakes a regular review of the trustees' skills, knowledge and understanding. The results are used to identify any skills gaps and develop Trustee Board training plans, individual personal development plans and for Trustee Board succession planning. The Chair of the Trustees has one-to-one meetings subsequent to the Scheme Year end, with each trustee. This is to evaluate and discuss that trustee's performance, aspirations and succession planning. Evaluation of the trustee Board's and individual Trustee's knowledge and understanding is carried out by peer review (via the Chair) and questionnaires.

The Trustee Board undertook training, during the Scheme Year, in the following areas:

- Guide to the Pension Schemes Act 2021 (Eversheds) (12 April 2022);
- Deep Dive on Bereavement Process (30 May 2022);
- Deep Dive on Employer Implementation (30 May 2022);
- Deep Dive on Contribution Processing (30 May 2022);
- Call Listening Session (30 May 2022);
- Information Security and Cyber Security (31 May 2022);
- Data Protection (31 May 2022);
- Financial Crime (31 May 2022)
- Core Fund Range Review (1 September 2022)
- Investment Market Deep Dive (1 September 2022);
- Investments Teach-In including Responsible Investments Developments; Climate and Stewardship Roadmap; and Investment Beliefs (1 September 2022);
- Pensions Dashboard (2 September 2022);
- Deep Dive on Aegon's Propositional Developments (8 December 2022);
- TCFD Reviews and Trends (20 February 2023);
- Climate Change Strategy and Trends (20 February 2023);
- Responsible Investment Themes and Stewardship Trends Beyond Climate (20 February 2023);
- Vulnerable Customers (21 February 2023)

In addition to their extensive experience and professional qualifications, the Trustees individually self-assess their own areas of knowledge. They will then meet and consider the findings, to determine training requirements and identify any individual knowledge gaps.

Any knowledge gaps are added to the training log which is kept by the secretary to the Trustees. Training in these areas will be organised.

### **Trust Deed and Rules, Statement of Investment Principles and pensions law**

The Trustees have a working knowledge of the Scheme Trust Deed and Rules, and the Statement of Investment Principles. They have the appropriate degree of knowledge and understanding in relation to assessment and management of climate-related risks and opportunities. More information can be found in the Governance section of the TCFD Report (**Appendix 5**).

All Trustees have completed TPR's Trustee Toolkit and Skills Matrix to demonstrate they have a working knowledge of pension and trust law. The profile of the Trustee Board itself also ensures that there is a high level of knowledge of and competence in relation to pension and trust law. This is particularly demonstrated by Ian Pittaway's appointment as Chair, given his in-depth legal expertise in pension law. This knowledge is bolstered by the individual training undertaken by the Trustees.

The Trustee Board established two Board sub-committees in 2021:

- Communication and Engagement; and
- Investment.

The Trustee Board believe the sub-committee structure allows additional time and focus to be spent on these key areas outside of the quarterly Trustee Board meetings.

Each sub-committee provides focus and expert oversight on each of the areas that are essential to the successful management of the Scheme. The chair of each sub-committee formally reports back to the Trustee Board on matters discussed, recommendations and key actions agreed. This ensures the Trustee Board is kept fully informed with each sub-committee's activities. Each sub-committee meets at least quarterly.

The sub-committee memberships and high-level responsibilities are set out below for information:

### **Communication and Engagement Sub-Committee**

Membership: Helen Parker (chair), Ian Pittaway and Ronnie Taylor (as Scheme strategist, representing Aegon).

Responsibilities include:

- ensuring all Scheme communications meet legal and regulatory requirements; and
- working with Aegon to shape the strategic direction of member communications.

### **Investment Sub-Committee**

Membership: Graeme Griffiths (chair from 11 May 2022), Alison Bostock (chair to 11 May 2022), and David Houston (as Scheme strategist, representing Aegon).

Responsibilities include:

- reviewing the fund range in accordance with the Statement of Investment Principles; and
- reviewing the default and self-select ranges available to participating employers.

### **Delegations**

Where the Trustee Board frequently makes decisions in relation to certain matters, they have formal delegations in place to allow specific trustees to sign on behalf of the Trustee Board.

There are delegations in place for the following matters:

- determining beneficiaries for death benefits;
- Admitting new employees to the Scheme (including the associated investment choices); and
- Individual member pension transfer cases.

### **Internal dispute resolution procedure**

The Trustees also review and determine the outcome of complaints made to them under the Scheme's internal dispute resolution procedure. In doing this, the Trustees maintain and demonstrate their knowledge and understanding of the Scheme's Trust Deed and Rules, the Statement of Investment Principles and legislation relating to Scheme matters such as investment of Scheme assets.

### **Scheme policies and processes**

During the Scheme Year, the Trustee Board updated and reviewed existing policies and processes for the governance and administration of the Scheme. These policies have been discussed amongst the Trustee Board as a whole and approved by them. The Trustee Board demonstrated that they understand and have knowledge of the Scheme policies and processes, and how these are applied in practice. The following were reviewed and approved by the Trustees on 31 May 2022:

- Breaches Process;
- Data Protection Policy;
- Conflicts of Interest Policy;
- Balance of Powers;
- Internal Dispute Resolution Procedure;
- Scheme Employer Solvency Process; and
- Scheme Late Payment of Contributions Policy.

Professional advisers, appointed by the Trustee Board provide the Trustees with support and expert advice when reviewing the performance of the Scheme and ensuring it is governed in line with the Trust Deed and Rules. The advice received by the Trustees along with their own experience, training, knowledge and understanding allows them to properly exercise their functions as a Trustee Board.

# Appendix 2

## Costs and charges during the Scheme Year

The following tables show the costs and charges of the default and other funds available to Members. The costs and charges set out in the tables below have been calculated in accordance with the statutory guidance and it refers to the following:

- The Annual Management Charge (AMC) is the charge deducted by Aegon and the fund manager for the administration and investment services. The AMC included in tables 1 and 2 is based on the average AMC for each fund. The actual AMC Members pay will vary. The variation in AMCs across the Scheme reflects the variation in assets under management and contribution levels for each employer. These factors are considered when AMCs are set on an employer-by-employer basis. All of the different AMCs charged for each fund are noted below Tables 1 and 2 within this Appendix. Tables 3 and 4 focus on the additional investment options used by Bespoke Notional Sections, and in those cases the AMC values listed in the tables are the actual AMCs paid.
- The Additional Annual Expenses (AAE) cover the costs of professional services required to run a fund. These include services like custody services (holding assets for safe keeping, collecting income, record keeping and reporting), audit fees paid to accounting firms and auditors for the statutory annual financial statements, and depository services that oversee how funds are managed to keep assets safe. The costs shown are paid by all Members.

- Transaction costs arise when a manager buys and sells the underlying assets of a fund. Some funds show negative transaction costs. This typically occurs when the market price of stocks being purchased fall more frequently than rise between the order being placed and executed. This can be prevalent in more stressed market conditions when asset prices may generally be declining.
- The total is the sum of the Annual Management Charge (AMC), Additional Annual Expenses (AAE) and transaction costs. Negative transaction costs are subtracted to give the total costs.



**Table 1 – Standard default investment arrangements**

Fund	Fund Ticker	AMC	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock LifePath Capital (BLK)	DCCFGP	0.22	0.03	0.02	0.27
Aegon BlackRock LifePath Capital 2019-2021 (BLK)	DCLPCP20	0.28	0.00	0.01	0.29
Aegon BlackRock LifePath Capital 2022-2024 (BLK)	DCLPCP23	0.28	0.00	0.02	0.30
Aegon BlackRock LifePath Capital 2025-2027 (BLK)	DCLPCP26	0.28	0.00	0.04	0.32
Aegon BlackRock LifePath Capital 2028-2030 (BLK)	DCLPCP29	0.28	0.00	0.06	0.34
Aegon BlackRock LifePath Capital 2031-2033 (BLK)	DCLPCP32	0.28	0.00	0.04	0.32
Aegon BlackRock LifePath Capital 2034-2036 (BLK)	DCLPCP35	0.28	0.00	0.06	0.34
Aegon BlackRock LifePath Capital 2037-2039 (BLK)	DCLPCP38	0.28	0.00	0.05	0.33
Aegon BlackRock LifePath Capital 2040-2042 (BLK)	DCLPCP41	0.28	0.00	0.05	0.33
Aegon BlackRock LifePath Capital 2043-2045 (BLK)	DCLPCP44	0.28	0.00	0.04	0.32
Aegon BlackRock LifePath Capital 2046-2048 (BLK)	DCLPCP47	0.28	0.00	0.05	0.33
Aegon BlackRock LifePath Capital 2049-2051 (BLK)	DCLPCP50	0.28	0.00	0.04	0.32
Aegon BlackRock LifePath Capital 2052-2054 (BLK)	DCLPCP53	0.28	0.00	0.04	0.32
Aegon BlackRock LifePath Capital 2055-2057 (BLK)	DCLPCP56	0.28	0.00	0.03	0.31
Aegon BlackRock LifePath Capital 2058-2060 (BLK)	DCLPCP59	0.28	0.00	0.06	0.34
Aegon BlackRock LifePath Capital 2061-2063 (BLK)	DCLPCP62	0.28	0.00	0.06	0.34
Aegon BlackRock LifePath Capital 2064-2066 (BLK)	DCLPCP65	0.28	0.00	0.06	0.34
Aegon BlackRock LifePath Capital 2067-2069 (BLK)	DCLPCP68	0.28	0.00	0.06	0.34



Fund	Fund Ticker	AMC	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock LifePath Capital 2070-2072 (BLK)	DCLPCP71	0.28	0	0.06	0.34
Aegon BlackRock LifePath Capital 2073-2075 (BLK)	DCLPCP74	0.28	0	0.06	0.34
Aegon BlackRock LifePath Capital 2076-2078 (BLK)	DCLPCP77	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi (BLK)	DCLPFL	0.28	0	0.08	0.36
Aegon BlackRock LifePath Flexi 2019-2021 (BLK)	DCLPFL20	0.28	0	0.08	0.36
Aegon BlackRock LifePath Flexi 2022-2024 (BLK)	DCLPFL23	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2025-2027 (BLK)	DCLPFL26	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2028-2030 (BLK)	DCLPFL29	0.28	0	0.07	0.35
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)	DCLPFL32	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2034-2036 (BLK)	DCLPFL35	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2037-2039 (BLK)	DCLPFL38	0.28	0	0.05	0.33
Aegon BlackRock LifePath Flexi 2040-2042 (BLK)	DCLPFL41	0.28	0	0.05	0.33
Aegon BlackRock LifePath Flexi 2043-2045 (BLK)	DCLPFL44	0.28	0	0.04	0.32
Aegon BlackRock LifePath Flexi 2046-2048 (BLK)	DCLPFL47	0.28	0	0.05	0.33
Aegon BlackRock LifePath Flexi 2049-2051 (BLK)	DCLPFL50	0.28	0	0.04	0.32
Aegon BlackRock LifePath Flexi 2052-2054 (BLK)	DCLPFL53	0.28	0	0.04	0.32
Aegon BlackRock LifePath Flexi 2055-2057 (BLK)	DCLPFL56	0.28	0	0.03	0.31
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	DCLPFL59	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2061-2063 (BLK)	DCLPFL62	0.28	0	0.06	0.34

Fund	Fund Ticker	AMC	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)	DCLPFL65	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2067-2069 (BLK)	DCLPFL68	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2070-2072 (BLK)	DCLPFL71	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2073-2075 (BLK)	DCLPFL74	0.28	0	0.06	0.34
Aegon BlackRock LifePath Flexi 2076-2078 (BLK)	DCLPFL77	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2019-2021 (BLK)	DCLPRT20	0.28	0	0.08	0.36
Aegon BlackRock LifePath Retirement 2022-2024 (BLK)	DCLPRT23	0.28	0	0.09	0.37
Aegon BlackRock LifePath Retirement 2025-2027 (BLK)	DCLPRT26	0.28	0	0.08	0.36
Aegon BlackRock LifePath Retirement 2028-2030 (BLK)	DCLPRT29	0.28	0	0.08	0.36
Aegon BlackRock LifePath Retirement 2031-2033 (BLK)	DCLPRT32	0.28	0	0.04	0.32
Aegon BlackRock LifePath Retirement 2034-2036 (BLK)	DCLPRT35	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2037-2039 (BLK)	DCLPRT38	0.28	0	0.05	0.33
Aegon BlackRock LifePath Retirement 2040-2042 (BLK)	DCLPRT41	0.28	0	0.05	0.33
Aegon BlackRock LifePath Retirement 2043-2045 (BLK)	DCLPRT44	0.28	0	0.04	0.32
Aegon BlackRock LifePath Retirement 2046-2048 (BLK)	DCLPRT47	0.28	0	0.05	0.33
Aegon BlackRock LifePath Retirement 2049-2051 (BLK)	DCLPRT50	0.28	0	0.04	0.32
Aegon BlackRock LifePath Retirement 2052-2054 (BLK)	DCLPRT53	0.28	0	0.04	0.32
Aegon BlackRock LifePath Retirement 2055-2057 (BLK)	DCLPRT56	0.28	0	0.03	0.31
Aegon BlackRock LifePath Retirement 2058-2060 (BLK)	DCLPRT59	0.28	0	0.06	0.34

Fund	Fund Ticker	AMC	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock LifePath Retirement 2061-2063 (BLK)	DCLPRT62	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2064-2066 (BLK)	DCLPRT65	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2067-2069 (BLK)	DCLPRT68	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2070-2072 (BLK)	DCLPRT71	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2073-2075 (BLK)	DCLPRT74	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement 2076-2078 (BLK)	DCLPRT77	0.28	0	0.06	0.34
Aegon BlackRock LifePath Retirement (BLK)	DCLPRT	0.28	0	0.10	0.38
Aegon BlackRock Cash (BLK)	DCCFGP	0.22	0.03	0.01	0.26

Source: Aegon, 31 March 2023

Figures shown have been rounded to two decimal points. Due to rounding, numbers presented throughout this table may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

As outlined in the Statement of Investment Principles, during any period where a fund is suspended, Members' contributions will be directed to the Aegon BlackRock Cash Fund.

### Actual AMCs

A Member can find out the specific AMC which applies to the fund(s) they are invested in by referring to the fund information on the TargetPlan member website or their Investment Options booklet.

The actual AMC rates that apply to LifePath funds (all versions and year vintages) are: 0.16%, 0.18%, 0.21%, 0.22%, 0.23%, 0.24%, 0.25%, 0.26%, 0.27%, 0.29%, 0.31%, 0.34%, 0.36%, 0.41%, 0.51%. The actual AMC rates that apply to Aegon BlackRock Cash and the undated LifePath Capital fund are: 0.10%, 0.15%, 0.18%, 0.20%, 0.25%, 0.30%, 0.35%, 0.40%.

**Table 2 – Core Fund Range**

Fund	Fund Ticker	AMC	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)	DCGEIF	0.27	0.01	0.01	0.29
Aegon BlackRock Cash (BLK)	DCCFGP	0.22	0.03	0.01	0.26
Aegon BlackRock Corporate Bond (BLK)	DCHIBF	0.57	0.02	0.14	0.73
Aegon BlackRock Diversified Growth (BLK)	DCTRF	0.73	0.04	0.44	1.21
Aegon BlackRock Emerging Markets Equity Index (BLK)	DCAEME	0.36	0.08	0.00	0.44
Aegon BlackRock Market Advantage (BLK)	DCALMA	0.43	0.02	0.18	0.63
Aegon BlackRock Over 15 Year Gilt Index (BLK)	DC15GIF	0.24	0.01	0.01	0.26
Aegon BlackRock Over 5 Year Index-Linked Gilt Index (BLK)	DCO5ILG	0.24	0.01	0.08	0.33
Aegon BlackRock Pre-Retirement (BLK)	DCGP	0.34	0	0.13	0.47
Aegon Property (BLK)	DCPF	0.83	0	0.10	0.93
Aegon BlackRock UK Equity Index (BLK)	DCUKEIF	0.23	0	0.02	0.25
Aegon BlackRock World (ex-UK) Equity Index (BLK)	DCXUKEI	0.23	0.01	0.01	0.25
Aegon HSBC Islamic Global Equity Index (BLK)	DCHAF	0.55	0	-0.07	0.48
Aegon LGIM Ethical Global Equity Index (BLK)	DCLGEGI	0.49	0.01	0.01	0.51
Aegon Baillie Gifford Positive Change	DCABGPCH	0.64	0.03	0.15	0.82
Aegon HSBC Developed World Sustainable Equity Index	DCHSDWS	0.27	0	0.00	0.27
Aegon Ninety One Global Multi-Asset Sustainable Growth	DCIDGF	0.78	0.09	0.31	1.18

Source: Aegon, 31 March 2023

A fund can show negative transaction costs, for instance when the market price of stocks being purchased fall more frequently than rise between the order being placed and executed. This can be prevalent in more stressed market conditions when asset prices may generally be declining.

Figures shown have been rounded to two decimal points. Due to rounding, numbers presented throughout this table may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## Actual AMCs

A Member can find out the specific AMC which applies to the fund(s) they are invested in by referring to the fund information on the TargetPlan member website or their Investment Options booklet,

- Aegon BlackRock 30/70 Hedged Global Equity Index: 0.13%, 0.15%, 0.17%, 0.18%, 0.19%, 0.20%, 0.22%, 0.23%, 0.24%, 0.25%, 0.27%, 0.29%, 0.30%, 0.33%, 0.37%, 0.40%, 0.47%, 0.50%.
- Aegon BlackRock Cash: 0.10%, 0.15%, 0.18%, 0.20%, 0.25%, 0.30%, 0.35%, 0.40%.
- Aegon BlackRock Corp Bond: 0.28%, 0.45%, 0.47%, 0.49%, 0.50%, 0.53%, 0.55%, 0.57%, 0.59%, 0.60%, 0.63%, 0.70%, 0.75%, 0.80%.
- Aegon BlackRock Diversified Growth: 0.55%, 0.65%, 0.67%, 0.69%, 0.70%, 0.73%, 0.75%, 0.77%, 0.79%, 0.80%, 0.83%, 0.90%, 1.00%.
- Aegon BlackRock Emerging Markets Equity Index: 0.22%, 0.24%, 0.25%, 0.28%, 0.30%, 0.32%, 0.34%, 0.35%, 0.38%, 0.40%, 0.43%, 0.45%, 0.55%.
- Aegon BlackRock Market Advantage: 0.29%, 0.30%, 0.32%, 0.35%, 0.37%, 0.38%, 0.39%, 0.40%, 0.43%, 0.45%, 0.47%, 0.49%, 0.50%, 0.53%, 0.55%, 0.60%, 0.70%.
- Aegon BlackRock Over 15 Year Gilt Index: 0.10%, 0.12%, 0.14%, 0.15%, 0.18%, 0.20%, 0.22%, 0.24%, 0.25%, 0.28%, 0.35%, 0.45%.
- Aegon BlackRock Over 5Year Index-Linked Gilt Index: 0.10%, 0.12%, 0.14%, 0.15%, 0.18%, 0.20%, 0.22%, 0.24%, 0.25%, 0.28%, 0.35%, 0.45%.
- Aegon BlackRock Pre-Retirement: 0.15%, 0.24%, 0.26%, 0.27%, 0.30%, 0.32%, 0.34%, 0.36%, 0.37%, 0.40%, 0.47%, 0.50%.
- Aegon Property: 0.30%, 0.70%, 0.76%, 0.78%, 0.80%, 0.82%, 0.83%, 0.85%, 0.88%, 0.93%, 0.98%, 1.00%, 1.02%, 1.18%.
- Aegon BlackRock UK Equity Index: 0.10%, 0.12%, 0.13%, 0.14%, 0.15%, 0.18%, 0.20%, 0.22%, 0.24%, 0.25%, 0.28%, 0.35%, 0.40%, 0.45%.
- Aegon BlackRock World (ex UK) Equity Index: 0.10%, 0.12%, 0.13%, 0.14%, 0.15%, 0.18%, 0.20%, 0.22%, 0.24%, 0.25%, 0.28%, 0.35%, 0.40%, 0.45%.
- Aegon HSBC Islamic Global Equity Index: 0.40%, 0.42%, 0.44%, 0.45%, 0.48%, 0.50%, 0.52%, 0.54%, 0.55%, 0.58%, 0.65%, 0.75%, 0.85%.
- Aegon LGIM Ethical Global Equity Index: 0.30%, 0.31%, 0.35%, 0.40%, 0.42%, 0.44%, 0.45%, 0.48%, 0.50%, 0.52%, 0.54%, 0.55%, 0.58%, 0.60%, 0.65%, 0.70%.



- Aegon Baillie Gifford Positive Change: 0.55%, 0.57%, 0.58%, 0.59%, 0.60%, 0.63%, 0.65%, 0.67%, 0.70%, 0.73%, 0.75%, 0.80%, 0.85%
- Aegon HSBC Developed World Sustainable Equity Index: 0.15%, 0.17%, 0.18%, 0.19%, 0.20%, 0.23%, 0.25%, 0.27%, 0.30%, 0.33%, 0.35%, 0.40%, 0.45%
- Aegon Ninety One Global Multi-Asset Sustainable Growth: 0.65%, 0.67%, 0.68%, 0.69%, 0.70%, 0.73%, 0.75%, 0.77%, 0.80%, 0.83%, 0.85%, 0.90%, 0.95%

**Table 3 – Funds used within Advised (Bespoke) Notional Sections:**

**The MacIntyre Group Pension Scheme**

**Self-select range**

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	DC15CBI	0.35	0.01	0.12	0.48
Aegon BlackRock 40/60 Global Equity Index (BLK)	DC40GEI	0.35	0.01	0.11	0.37

## Sun Life of Canada 2015 Employee Pension Plan

Costs and charges data is not provided for the Sun Life of Canada 2015 Employee Pension Plan bespoke default strategy as, on 22 June 2022, Members in the Sun Life of Canada 2015 Employee Pension Plan were moved to Aegon BlackRock LifePath funds.

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock European Equity Index (BLK)	DCAEE	0.28	0.01	0.01	0.30
Aegon AM Ethical Equity (BLK)	DCAEGE	1	0.02	0.13	1.15
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE	0.28	0.01	0.00	0.29
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE	0.28	0.01	0.03	0.32
Aegon BlackRock US Equity Index (BLK)	DCAUE	0.28	0.01	0.02	0.31
Aegon BlackRock Balanced Growth (BLK)	DCBGF	0.6	0	0.13	0.73
Aegon BlackRock All Stocks UK Gilt Index (BLK)	DCBPLASG	0.28	0	0.04	0.32
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS	0.28	0.02	0.06	0.36
Aegon LGIM Pre-Retirement (BLK)	DCLGP	0.35	0	0.02	0.37
Aegon BNY Mellon Real Return (BLK)	DCNRRF	1.1	0.05	0.28	1.43
The Sun Life of Canada Fund	DCS3CF	0	0.01	0.00	0.01

## KPMG Deferred Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock US Equity Index (BLK)	DCAUE	0.12	0.01	0.02	0.15
Aegon BlackRock European Equity Index (BLK)	DCAEE	0.12	0.01	0.01	0.14
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE	0.12	0.01	0.00	0.13
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE	0.12	0.01	0.03	0.16
Aegon Threadneedle UK Social Bond Fund	DCTUSB	0.42	0.14	0.07	0.63

## The Anglo American UK Pension Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock US Equity Index (BLK)	DCAUE	0.18	0.01	0.02	0.21
Aegon BlackRock European Equity Index (BLK)	DCAEE	0.18	0.01	0.01	0.20
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE	0.18	0.01	0.00	0.19
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE	0.18	0.01	0.03	0.22

## SG Retirement Savings Plan

### Default strategies

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
SG Property Dynamic Blend	DCMGPPPSG	0.41%	0	Not available	Not calculated

Source: Aegon, 31 March 2023. It is the regulatory obligation of the underlying asset manager to provide transaction costs where available.

Figures shown have been rounded to two decimal points. Due to rounding, numbers presented throughout this table may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

One fund component of the SG Property Dynamic blend is suspended so it has not been possible to obtain transaction costs. The suspended fund will in due course be removed from the SG Property Dynamic blend and transaction costs will be obtained for the alternative fund.

## Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock US Equity Index (BLK)	DCAUE	0.14	0.01	0.02	0.17
Aegon BlackRock European Equity Index (BLK)	DCAEE	0.14	0.01	0.01	0.16
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE	0.14	0.01	0.00	0.15
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE	0.14	0.01	0.03	0.18
Aegon BlackRock MSCI Currency Hedged World Index (BLK)	DCCHMSCI	0.2	0.01	0	0.21
Aegon BlackRock UK Special Situations (BLK)	DCUKSS	0.65	0.01	0.48	1.14
SG Passive Global Equity Fund	DCSGPGE	0.17	0.01	0.01	0.19
SG Active Global Equity Fund	DCMFSG	0.65	0.06	0	0.71
SG Diversified Growth Fund	DCSGDG	0.58	0.05	0.22	0.85
Aegon BlackRock Absolute Return Bond (BLK)	DCARBF	0.6	0.02	1.41	2.03
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS	0.14	0.02	0.06	0.22
Aegon BlackRock All Stocks UK Gilt Index (BLK)	DCBPLASG	0.14	0	0.04	0.18
Aegon BlackRock Index-Linked Gilt (BLK)	DC1	0.14	0	0.04	0.18
Aegon Baillie Gifford Positive Change	DCABGPCH	0.59	0.03	0.15	0.77
Aegon HSBC Developed World Sustainable Equity Index	DCHSDWS	0.19	0	0	0.19
Aegon Ninety One Global Multi-Asset Sustainable Growth	DCIDGF	0.69	0.09	0.31	1.09



## Turner & Townsend Pension Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Turner & Townsend Active Global Equity	DC5050G	0.6	0	0.13	0.73
Turner & Townsend Passive Global Equity	DC40GEI	0.22	0.01	0.01	0.24
Turner & Townsend Balanced Fund	DCCIF	0.22	0.01	0.02	0.25
Turner & Townsend Corporate Bond Fund	DC15CBI	0.22	0.01	0.12	0.35
Turner & Townsend Diversified Growth	DCTRF	0.55	0.04	0.13	0.72
Turner & Townsend Emerging Mkts Eq	DCAEME	0.37	0.08	0	0.45
Turner & Townsend Index Linked Gilt	DC05ILG	0.22	0.01	0.08	0.31
Turner & Townsend Pre-Retirement Bond	DCGP	0.3	0	0.44	0.74
Turner & Townsend Shariah Principles Equity	DCHAF	0.65	0	0.08	0.73
Turner & Townsend Socially Responsible Equity	DCLGEGI	0.45	0.01	0.01	0.47

## Skanska DC2018 Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS	0.2	0.02	0.06	0.28

## Beales Deferred Section of the Aegon Master Trust

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	DC15CBI	0.45	0.01	0.12	0.58
Aegon LGIM Ethical UK Equity Index (BLK)	DCLGEUE	0.75	0.01	0.11	0.87

## Archant Pension Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock Diversified Growth Plus (BLK)	DCTRP	0.78	0.03	0.40	1.21
Aegon BlackRock Cautious Diversified Growth (BLK)	DCTRL	0.57	0.04	0.23	0.84
Aegon BlackRock 50/50 Global Equity Index (BLK)	DC50GEI	0.35	0.01	0.03	0.39
Aegon LGIM Ethical UK Equity Index (BLK)	DCLGEUE	0.5	0.01	0.11	0.62
Aegon Standard Life Corporate Bond (BLK)	DCSLCBF	0.6	0.01	0.07	0.68
Aegon BlackRock 70/30 Global Equity Index (BLK)	DC70GEI	0.35	0.01	0.02	0.38
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	DC15CBI	0.35	0.01	0.12	0.48
Aegon Standard Life Global Absolute Return Strategies (BLK)	DCSLGAR	1.1	0.03	0.72	1.85
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS	0.35	0.02	0.06	0.43
Aegon BlackRock 40/60 Global Equity Index (BLK)	DC40GEI	0.35	0.01	0.01	0.37
Aegon BlackRock US Equity Index (BLK)	DCAUE	0.35	0.01	0.02	0.38
Aegon BlackRock European Equity Index (BLK)	DCAEE	0.35	0.01	0.01	0.37
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE	0.35	0.01	0.00	0.36
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE	0.35	0.01	0.03	0.39
Aegon BlackRock 50/50 Global Growth (BLK)	DC5050G	0.6	0	0.13	0.73
Aegon Invesco Pensions Managed (BLK)	DCINVPM	0.9	0	0.30	1.20

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock UK Growth (BLK)	DCUKGC	0.6	0	0.15	0.75
Aegon BlackRock Pacific Growth (BLK)	DCPACG	0.6	0	0.04	0.64
Aegon BlackRock Alpha Smaller Companies (BLK)	DCASC	0.6	0	0.41	1.01
Aegon BlackRock Index Linked Gilt (BLK)	DC1	0.4	0	0.04	0.44
Aegon BlackRock UK Equity (BLK)	DCUKDY	0.75	0.02	0.57	1.34
Aegon LGIM Global Equity (60:40) Index (BLK)	DCLGGE	0.4	0.05	0.04	0.49
Aegon LGIM Pre-Retirement (BLK)	DCLGP	0.4	0	0.02	0.42
Aegon LGIM North America Equity Index (BLK)	DCLGNAE	0.4	0	0.04	0.44
Aegon LGIM Europe (ex UK) Index (BLK)	DCLGEXU	0.45	0.01	0.15	0.61
Aegon BlackRock Sterling Bond (BLK)	DC8	0.5	0	-0.01	0.49

## The Mars Pet Nutrition 2019 Pension Plan

### Self-select range

Fund	Fund Ticker	Annual Management Charge (AMC)	Additional Annual Expenses	Transaction Costs	Total
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS	0.35	0.02	0.06	0.43

Source: Aegon, 31 March 2023

Figures shown have been rounded to two decimal points. Due to rounding, numbers presented throughout this table may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# Appendix 3

## Statement of Investment Principles

Please bear in mind that the value of investments may go down as well as up and that investors may get back less than they invest. Past performance is not a guide to future performance. To find out more about the funds mentioned in this document, including fund-specific risks, please read the fund factsheets, which can be found on the website at [www.aegon.co.uk/funds](http://www.aegon.co.uk/funds).

Any charts are for illustrative purposes only.

Please see glossary of terms at the start of this document if you're unsure of any of the terms used. You should seek financial advice if you're not sure whether an investment or product is right for you.

**Adopted by the Trustees on 14 September 2023**





## Document history

- **September 2019 / September 2020** – The Trustees updated their Statement of Investment Principles (the SIP) in September 2019 and again in September 2020 to incorporate new default fund detail, the Trustee's further thinking on sustainability and some policy changes and new legal requirements which took effect from 1 October 2020.
- **September 2021** – A further update in September 2021 added additional detail on Employer Bespoke Notional Sections, detailing how the Trustees consider and monitor individual employer requests to make available funds outside the standard fund range. That revision also reflected the move by one Bespoke Notional Section to use the Aegon BlackRock LifePath standard default. Importantly the revision added information about the Trustees' environmental, social and governance (ESG) beliefs.
- **September 2022** – The SIP was updated following the addition of three funds to the standard self-select fund range, together with an update on the Sun Life of Canada 2015 Employee Pension Plan default arrangements; and to clarify the Trustees would review annually how asset managers align with, and reflect, the Trustees' stewardship policies.
- **May 2023** – A further revision, adopted in May 2023, reflected the introduction of the New Core Range. At the time of this update, the New Core Range was available only to new employers joining the Scheme. It was noted that members within existing notional sections (including where applicable, Bespoke Notional Sections) would gain access to the New Core Range later.

- **September 2023** – This update to the SIP, adopted in 14 September 2023, reflects the availability of the AMT Fund Range (previously referred to as the New Core Range) to members within existing notional sections of the Scheme, replacing the previous self-select fund range (the Old Core Range).

Where a fund from the Old Core Range is being withdrawn the Trustees are in the process of moving Members with holdings in that fund, to either a new fund in the AMT Fund Range selected by the member or to the relevant Aegon BlackRock LifePath fund. The Trustees plan to complete the transfer of members to the AMT Fund Range by the end of 2023. Once the transfer is complete any references to the Old Core Range in the SIP can be disregarded.

This revision to the SIP also updates the Bespoke Notional Section information to detail those that have moved to the standard Scheme fund options (and so are no longer Bespoke Notional Sections) and those Bespoke Notional Sections that have made changes to the funds available to their Members.

# Glossary

Throughout this document we have sought to explain any technical terms in the context they are used. This glossary is provided as a reference to explain many of these terms in everyday language. Please note the descriptions used in this glossary are not to be read as defined terms within the Scheme Rules. Where the definitions differ, the definition contained in the Scheme Rules will apply.

## Actively managed funds

A fund which has an asset manager or team making decisions on the underlying asset allocation. Actively managed funds aim to produce returns which exceed a specific benchmark / index, although there's no guarantee that they will do so. Actively managed funds require a greater level of manual intervention, so costs are usually higher than for passively managed funds.

## Annuity

This is an option at retirement, the client can choose to purchase an annuity to the value of their pension pot which then pays a guaranteed regular income payment for life, or for a defined period.

## Asset allocation

Asset allocation is the process of dividing investments among different asset classes, such as equities, bonds and cash, to balance risk and reward.

## Asset classes

Types of investment, includes equities, often split by global region, bonds, commercial property and cash.

## Bonds

Loans or securities which can be issued by governments, companies or local authorities to raise money. They entitle the holder to regular interest and repayment when the loan matures.

## Cash

Cash held in a fund can include a mix of sterling cash, securities of deposit, short-term bonds, and money market instruments. These investments are generally considered to be less risky than other types of investment, but also have lower growth potential, and returns may be outstripped by rising inflation. In a low interest rate environment cash funds may generate a negative return after charges.

## Commercial property (real estate)

Such as offices, retail and industrial property, or shares in property companies. Returns come from a mix of rental income and, hopefully, rising property values. Managers of commercial property investments may at times delay payment to investors if market conditions make it hard to sell properties at a fair price.

## ESG

ESG stands for environmental, social, and governance and is an evaluation of those factors for investment purposes. Investors use these factors to identify material risks and growth opportunities.

- **Environmental** – climate change, energy efficiency, water use and conservation, deforestation, waste and pollution, and use of natural resources.
- **Social** – human rights and labour standards, product safety and reliability, diversity and inclusion policies, nutrition and health, workplace safety, workplace benefits, supply chain and sourcing.
- **Governance** – Board independence and diversity, shareholders' rights, executive pay, ownership and control, accounting integrity and tax transparency.

## Equities

Also known as company shares, which mean you're buying part ownership of that company. Returns come from a mixture of dividends and capital growth if the company is successful. Equities have traditionally offered better long-term growth potential than other asset classes, but they are also more likely to fall significantly in value.

## Income drawdown

This is a retirement strategy option where the member withdraws some of their money from a pension savings account to support their retirement whilst leaving other pension savings invested.

## Notional section

As the Scheme is not formally segregated, different employer and member groupings are referred to as notional sections.

## Passively managed funds

Passively managed funds aim to produce returns broadly in line with the index they track (before charges) by investing in the same investments, in the same proportions, as that index. This means less manual intervention, so charges are usually lower than for actively managed funds.



## 1. Introduction to this document

This document is the SIP of the Aegon Master Trust (the 'Scheme') prepared by the Trustees of the Scheme (the 'Trustees'). It enables the Trustees to meet the requirements of:

- the Pensions Act 1995 as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent amendments.

Prior to updating this SIP, the Trustees have obtained and considered independent written advice from Isio, the Trustees' investment advisers. Isio is authorised and regulated by the Financial Conduct Authority (FCA) for a range of investment business activities. The Trustees have also consulted with Aegon as Sponsoring Employer and service provider in the preparation of this SIP.

The SIP provides details of the fund range including default arrangements, for Members who haven't chosen where to invest their pension savings, and other investment options and the investment policies which guide the way in which Members' investments are made and managed. These policies apply across all of the Scheme's investments (unless otherwise stated) and are intended to ensure that the assets are invested in the best interests of Members (and beneficiaries).

The Scheme is a 'wholly insured bundled' arrangement which means that all the relevant administration, other services and investment funds are provided by Aegon. The Scheme is looked after by Trustees who are ultimately responsible for the governance, administration, and investment functions of the Scheme, which includes arranging for the Scheme assets to be invested in the best interests of its Members (and beneficiaries). The Scheme invests in 'pooled' funds and, therefore, the Trustees do not have a direct relationship with the underlying asset manager(s) but they have a contractual relationship with Aegon and use this relationship to influence the stewardship and investment activities of the underlying asset manager(s). This is usual for these types of arrangement. The Scheme Trustees have produced this SIP, which formally sets out the Trustees' investment policies, beliefs, and objectives and how they review and monitor the Scheme's investment strategy and performance. This is a legal requirement.

The SIP is reviewed at least every three years or when a significant change to the Scheme's investment strategy or fund range design has been made or when the Trustees consider that a review is needed for other reasons. The default arrangement strategies will also be reviewed after any significant change in the demographic profile of relevant Members.

Members can obtain a copy of this document either at [www.aegon.co.uk/workplace/employers/targetplan/master-trust.html](http://www.aegon.co.uk/workplace/employers/targetplan/master-trust.html) or on request.

## 2. Choosing investments

The Trustees believe that good investment governance can deliver better outcomes for Members. Having a set of clearly defined investment beliefs is part of this. Investment beliefs are guiding

principles which inform the investment strategy, design of the default arrangements and the number and type of other investment options the Trustees make available to Members.

### The Trustees' investment beliefs

- i. Default arrangements should reduce Members' exposure to investment risk throughout their lifetime, as well as reflect their likely pension benefit choices.
- ii. The fund range should meet the needs of the target market and it should be presented in a simple way that helps to combat common behavioural biases.
- iii. Other self-select investment options should be offered to meet the differing risk and goal preferences of Members.
- iv. As long-term investors, the Trustees believe the fund range should, where possible, align with the Trustees' responsible investment beliefs (set out in section 8).

### Investment objectives

In keeping with the investment beliefs (set out above), the Trustees have designed their investment strategy to provide a suitable range of funds to Members so they can save for retirement. The fund range includes investments suitable to Members of different ages, with different retirement benefit plans and different attitudes to risk. In designing the fund range, the Trustees have taken advice from their investment advisers and, where appropriate, input from specialists employed by the Scheme's insurer (Aegon). The Trustees are aware some Members will not want to make decisions about where to save their contributions, whilst others will want to exercise differing amounts of control. The Trustees have designed the fund range with the intention to best meet these diverse needs, as well as to cater for Members wanting to take income drawdown in retirement.

Details of the fund range (default arrangements and other investment options made available) are included in the Appendices to this document. The Trustees are also aware that some participating employers wish to agree a different range of investment fund options and/or a different default fund for their employees. Where that is the case, the Trustees and the participating employer in question take appropriate investment advice to create a bespoke fund range for such employees. Further details of bespoke arrangements are outlined in the **Appendix 2**, and full details of these arrangements are given to the employees directly.



### 3. Balance of different kinds of investments

The Trustees recognise that risks are inherent in retirement savings. The Trustees have to strike a balance between taking sufficient investment risk to achieve good investment returns while ensuring that default arrangements (in particular) are not exposed to excessive risk when Members are about to retire.

The Trustees have created the fund range to enable Members to gain access to a range of asset classes and markets taking account of a number of different risks. The fund range includes choices suitable for Members of different ages and with different retirement benefit plans. The fund range is closely aligned to the Trustees' responsible investment beliefs and so integrates ESG considerations. In deciding the types of assets to include the Trustees consider investment returns net of charges.

### 4. Investment risks

The Scheme is a 'defined contribution' pension scheme – also known as a 'money purchase' scheme. Broadly, the value of a Member's retirement benefits in this type of scheme is based on the amount of money that the Member has in the Scheme at the point of taking their benefits. The Member bears the investment risk and the risk of not accumulating sufficient savings to meet their retirement needs. The amount of money saved will depend primarily on:

- how much they and/or their employer has contributed into the Scheme;
- the performance of the funds in which the Member's savings are invested;
- how long the Member has contributed to the Scheme; and
- fees deducted from a Member's investments.

The Trustees consider the merits of both active and passive management strategies and may select different approaches for different asset classes. The Scheme is permitted to invest in a wide range of asset classes including equities (both in the UK and overseas), bonds (both in the UK and overseas), cash, commercial property, alternatives, and specialist funds (including ethical and Sharia).

Members' retirement savings are held by the Trustees within two investment-linked insurance policies provided by Scottish Equitable plc (trading as Aegon). This provides Members with access to a range of investment funds.

In designing the range of funds for the Scheme, the Trustees carefully consider the period during which Members are contributing to and growing their pension savings (known as accumulation), the period when Members are taking money out of their pension savings (known as decumulation) and financially material risks.

A financially material risk is one which could have a significant effect (positive or negative) on Members' retirement savings over the period a particular investment fund is used by Members and can include ESG risks such as (but not limited to) climate change factors. The Trustees characterise and consider such factors in terms of the sustainability of the Scheme's investments.

**The key investment risks are (in alphabetical order):**

**Asset manager** – selecting a fund from an asset manager who could make poor investment decisions which then impacts Members is a considerable risk. For the Scheme’s main investment choices, the Trustees have decided to include funds which significantly reduce this risk by limiting the way in which the asset manager invests Members’ savings. These are typically referred to as ‘index-tracking funds’ or ‘passive’ investments.

An index-tracking fund will generally aim to replicate the performance of the applicable market index by having the same proportion of shares, bonds, or other assets as the index it is aiming to track. Such a strategy relies less on asset manager skill to achieve the return benchmark and so is less dependent on asset manager discretion.

There is no guarantee that any fund within the Scheme fund range (standard and/or bespoke) will achieve its long-term objective. The Trustees monitor the funds and asset managers to seek to minimise this risk.

**Credit** – in accordance with the Scheme insurance policies, Aegon may invest and reinvest each investment fund into external insurance funds and other collective investment schemes, subject to regulations and the fund’s investment objectives. Many of the funds are protected by Aegon in the event of default, but for some funds the Member bears the risk of default (failure to perform a contractual obligation) by a third-party insurer, external fund manager, depositary or trustee of an underlying fund or collective investment scheme. Members can find a list of funds protected by Aegon on the TargetPlan Member website. In the event of default by Aegon, the Scheme is protected by the Financial Services Compensation Scheme.

**Currency** – Funds held by Members may invest in assets denominated in a foreign currency and so are exposed to exchange rate fluctuations that could adversely impact the value of those assets. Where appropriate, the underlying asset manager may choose to reduce this risk by hedging back a proportion of the exposure to UK Pounds (Sterling). Hedging is a financial strategy seeking to protect investment portfolios from the risk of adverse currency movements that could lead to the loss of value. Hedging can create either an obligation or option to exchange one currency for another at a set rate at a future date – this reduces the potential for a change in exchange rates to affect the return on the investment.

**Diversification** – keeping all your eggs in one basket or holding a limited number of different investments increases the risk of losing money if one particular investment underperforms. Funds holding a greater number of different assets or types of investments help to increase diversification and therefore reduce risk. The Trustees have designed the fund range to provide appropriate levels of diversification in each of the fund options.

**Inflation** – the value of a basket of goods will increase in the future because of inflation, therefore the performance of Member funds must generally keep pace with this increase, to protect what is known as the real value of Member savings. The Trustees have defined their investment choices to provide options for Members looking to grow the value of their savings in real terms. Rising inflation affects purchasing power by decreasing the number of goods or services you can purchase with your money.

## Interest rate changes

- **Fall in interest rates** – there is a risk that a decline in interest rates could materially reduce the amount of income which can be generated from a given level of capital. Such a risk can occur suddenly and potentially near the point of retirement. It can be partially mitigated through the Lifepath Retirement Fund which changes its asset allocation in the 10 years prior to retirement by investing in government bonds and other fixed interest securities designed to match annuity rates.
- **Rise in interest rates** – there is a risk that an increase in interest rates can in turn trigger a fall in bond prices, particularly in bonds that have a longer duration to maturity. This can reduce the money available in the Scheme to fund a Member's retirement. Members closer to retirement are generally invested in a higher proportion of corporate and government bonds. This risk is partially mitigated through fixed income allocation being diversified across a mix of corporate and government bonds, some with lower durations to reduce the impact of rising interest rates.

**Liquidity** – some investments such as property or shares in private companies are not easy to sell, and therefore it can take some time to get money returned or transferred to another fund. The Trustees have limited this risk by offering funds which are generally more liquid rather than illiquid.

**Pension conversion** – for Members nearing their retirement, the potential impact of poor performance is significantly increased as they have less time to make up for losses. The Aegon BlackRock LifePath target date funds automatically manage Members' savings to limit this potential risk as they near retirement, based on the Members' target retirement date.

**Performance volatility** – the performance of the funds will at different points go up and will also go down; referred to as volatility. Those funds, which have a chance of earning more money for Members over the longer term, are likely to see greater volatility over short periods.

The Trustees have provided a range of carefully considered choices which balance the needs of investment growth and risk. The Aegon BlackRock LifePath target date funds available in the Scheme and a number of other funds are designed to mitigate this risk through diversification across a wide range of asset classes. The Aegon BlackRock LifePath target date funds automatically manage Members' savings to limit this potential risk as they near retirement, based on the Members' target retirement date.

## Responsible investment

- **Environment** – Environmental risk includes the consideration of how investments impact the physical environment, such as utilisation of natural resources and the effect of business operations on the environment. Neglecting to consider the effects of investment policies and practices on the environment as well as changes in regulation or the low-carbon transition may expose Members to higher levels of financial risk.
- **Social** – Social risk describes an organisation's ability to fulfil its obligation and commitments towards its internal and external stakeholders. These groups include employees, customers, vendors and suppliers, the nearby community, and possibly the global community. Failing to address the changing social needs of society in and out of the workplace can result in organisational failure and increasing costs of doing business, or potential declining sales and eventually, negative returns for Members. Today there's a heightened expectation of businesses being required to step-up and meet the ever-expanding social needs of customers, employees, investors, and stakeholders.

- **Governance** – Numerous academic studies have shown that companies with weak or declining governance typically underperform better governed business in financial terms. Governance risk includes the risks related to an organisation's ethical and legal management, the transparency and accuracy of company performance, and involvement in other initiatives important to stakeholders. Governance risk is owned by the board of directors and senior management, and cuts across many layers of an organization. At the top, the board of directors and senior management set the tone and policies that permeate the organisation. Corporate shareholders have the right to hold the company accountable for governance issues.

**Transaction costs** – Managers of funds could trade too frequently and so increase the transaction costs paid by Members. The Trustees monitor the overall level of costs (including transaction costs which measure the cost of portfolio turnover) to ensure Members are receiving good value and assess the relative return on investments from each fund net of all costs.

## 5. Expected return on investments

The Trustees take into consideration the expected risk and return (net of charges and inflation) of the Scheme investment options. The Trustees are advised by their investment adviser, Isio, on these matters. However, the day-to-day selection of investments in each fund is delegated to the relevant asset manager.

Within the fund objective, each fund offered has a benchmark for performance. There is no guarantee that any fund will achieve its long-term objective or meet/exceed its benchmark.

## 6. Realisation of investments

The asset managers have responsibility for buying and selling investments. The Trustees are aware of the risks of illiquidity and how these risks may be mitigated. The Trustees note that asset managers may have an ability to suspend redemptions and new investments in certain circumstances, for example in commercial property funds, and these suspensions can go on for a period of time.

(real estate) funds, selling the underlying assets (typically commercial property) can take time – this is described as liquidity risk. If many investors wish to withdraw their investments at the same time, this can lead to a property funds being suspended. This is to give the asset manager time to sell underlying assets and return money to investors.

A fund is suspended to protect investors. When investors sell their holdings in a fund, the asset manager sells assets in the fund to raise cash. If the asset managers can't sell assets quickly enough to raise money for all the investors selling their units, trading in the fund is suspended. With property

If a fund is suspended, the Trustees will communicate with Members and outline alternative fund options for Members to continue making contributions and taking withdrawals.

## 7. Financially material considerations

The Trustees have considered how financially material considerations, including ESG factors, are taken into account in the selection, retention, realisation, and monitoring of the investment options, considered over the time horizon applicable to Members invested in those funds.

As the Scheme invests via pooled funds, the Trustees have delegated responsibility for the selection, retention and realisation of investments to Aegon, within the parameters set by these Investment Principles. The Trustees' approach to managing financially material considerations is reflected in the range of pooled funds available in the Scheme.

The Trustees do not have an explicit policy for non-financial considerations; however they can take account of such considerations and will also consider any views expressed to them by Members. The Trustees welcome feedback about the fund range and specific investment concerns, although they are not bound to implement those views.





## 8. Responsible investment

Responsible investment is an umbrella term and includes how an asset manager considers ESG risks and opportunities and the approach taken to stewardship including voting and engagement.

Responsible investment is often referred to as the consideration of ESG factors.

### Responsible investment beliefs

The Trustees have agreed their responsible investment beliefs. These are:

<b>Risk Management</b>	The Trustees believe that active consideration of ESG issues will lead to improved outcomes for members and better management of risk. The Trustees believe that a broad approach to ESG integration is important, considering all three components of ESG investing. Climate change, in particular, presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.
<b>Investment Approach</b>	<p>ESG issues which are considered to be financially material should be integrated into the overall management of the standard default options.</p> <p>The standard self-select fund range should include specialist funds which invest in line with sustainable and / or responsible investment themes, taking into account member preferences where relevant.</p> <p>The Trustees will only select asset managers that integrate ESG issues within their overall decision making. A key aspect is to ensure that each asset manager has committed to net zero by 2050 or has a definitive plan for setting a net zero target.</p>
<b>Reporting &amp; monitoring</b>	The Trustees will regularly monitor key ESG metrics within the Scheme's investment portfolio, to understand the impact of their investments and to assess progress over time.
<b>Voting &amp; engagement</b>	The Trustees recognise that active engagement with investee companies, including thoughtful voting, is key to driving change. They will therefore monitor the asset managers' voting and stewardship engagement activity to assess improvements over time.
<b>Collaboration</b>	The Trustees expect asset managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. They also expect their chosen asset managers to be signatories to the United Nations Principles for Responsible Investment (UNPRI) and the UK Stewardship Code as minimum, and that they are be able to demonstrate ongoing progress in raising ESG standards.

## Engagement and stewardship

The Trustees bear the ultimate responsibility for ensuring effective governance and management of responsible investment-related risks and opportunities. This is particularly important given that the Scheme assets are managed by third-party asset managers with their own proprietary approaches and strategies, including responsible investment. Effective oversight, dialogue, and monitoring of those asset managers is therefore a key tool for the Trustees' responsible investment approach.

Views on ESG issues are constantly evolving, and the Trustees will work to understand the areas that are most material to Members. The Trustees expect asset managers to regularly review and assess the effectiveness of their own stewardship policy. Where improvements have been made, the Trustees require that these are disclosed.

The Trustees expect asset managers to be fully transparent with their stewardship responsibilities and report on these at least annually, which supports the Trustees in determining the extent to which asset managers' stewardship policies have been followed throughout the year.

All asset managers are expected to respond to an annual responsible investment due diligence questionnaire. This helps the Trustees ensure minimum responsible investment requirements are met. This insight, and insight gathered through various member surveys, help inform topics for engagement with asset managers throughout the year.

The Trustees will not appoint asset managers who fail to integrate responsible investment principles into their overall decision-making processes. Those that the Trustees do appoint are required to report on their voting and engagement activities. The Trustees have a voting and engagement approach with asset managers. This highlights the Trustees' priority engagement themes, sets engagement principles for asset managers and outlines an 'expressions of wish' approach to voting. Through expressions of wish, the Trustees are able to set non-binding requests for key asset managers in pooled funds to vote a certain way on "most significant" votes. Factors informing the Trustee's definition of most significant votes include, but are not limited to: votes in the Scheme's largest holdings, votes aligned to the Trustee's priority engagement themes and votes which have the potential to substantially impact financial or stewardship outcomes.



## 9. Monitoring

There is no set duration for arrangements with asset managers, they can be replaced at any time. To ensure the Scheme's asset managers comply with the Trustees' policies, the Trustees closely monitor and assess the asset managers. The Trustees believe that they have appropriate governing documentation setting clear expectations to the asset managers and regular monitoring of performance and processes sufficient to incentivise asset managers to make decisions that align with the Trustees' policies. The Trustees take action where a fund does not meet expectations – initially placing them on a watch list and agreeing a remedial plan with the asset manager. Ultimately the Trustees may replace the asset manager. When assessing an asset managers' performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate an asset managers' appointment based purely on short-term performance. However, an asset manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change to its business structure or investment team.

The Trustees review the performance of each fund in the range offered against the stated performance objective for that fund. The Trustees receive quarterly reports to facilitate this. Quarterly three-year rolling performance and investment risk is typically assessed against each fund's objectives and relevant benchmark. The choice of three-year rolling performance as a measure is to ensure asset managers are encouraged to focus on the medium to long-term financial and non-financial performance of the funds they manage.

Additionally, there is a fuller review annually to ensure asset managers have implemented their mandate correctly and comply with the policies set by the Trustees. This annual review includes a review of all fund costs, including transaction costs by individual fund, to ensure that each fund delivers value for money after all costs. As part of the review, the Trustees monitor the fee income of asset managers to ensure these are in line with good industry practice and are set at levels that allow the investments to offer value for money. The review covers asset allocation, to understand diversification and includes assessment of each fund against its index where applicable. The annual review includes an assessment of the fund's value for Members.

## 10. Bespoke Notional Sections

A Bespoke Notional Section is where an employer makes funds available to their Members that differ from the standard Scheme offering. This can include if the employer opts for an alternative default strategy to the standard Scheme default strategy and/or provides their Members with a self-select range that differs from the standard self-select fund range.

### New Bespoke Notional Sections

The Trustees recognise that some participating employers, working with their own advisers, wish to access a wider range of investment funds than are available in the AMT Fund Range or who wish to use a different default arrangement. For those employers, the Trustees will consider a Bespoke Notional Section to achieve the best outcome for Members taking account of the employer's proposals.

When a new Bespoke Notional Section is proposed, the Trustees will take written independent investment advice on the appropriateness of any proposed new funds, be they default or self-select. That advice will include an assessment of value for money to Members. The assessment will further consider whether there are existing funds in the AMT Fund Range that are comparative to those being proposed.

The Trustees will consider the investment risks and objectives identified in this SIP for each new Bespoke Notional Section.

### **All Bespoke Notional Sections**

Investments within Bespoke Notional Sections must align with the Trustees' responsible investment beliefs and any underlying Investment Manager must comply with both the UNPRI and the Financial Reporting Council Stewardship Code.

All Bespoke Notional Section arrangements will be subject to ongoing performance review and the same standards of fund governance monitoring as the standard Scheme fund range. The Trustees require quarterly reports on how funds performed.

Bespoke Notional Sections will be reviewed formally by the Trustees every three years (or more regularly as provided for elsewhere in this SIP), supported by independent investment advisers and Aegon's Investment Governance Team, to ensure the funds which have been made available to members of any Bespoke Notional Sections remain appropriate.

More information on the Bespoke Notional Sections can be found in Appendix 2 to this SIP.

Signed on behalf of the Trustees of the Aegon Master Trust:

**Position: Chair of the Aegon Master Trust Board**

**Name: Ian Pittaway for and on behalf of Independent Trustee Limited**

**Date: 14 September 2023**

## **Appendix 1 to SIP – Standard default designs and self-select fund range**

The Trustees have designed a fund range for the Scheme which they believe is appropriate and, when doing so, have taken advice from their investment adviser (Isio) and, where appropriate, input from specialists employed by the Scheme's insurer (Aegon).

The Trustees are aware that some Members may not want to make decisions about where to invest their pension savings, whilst others will want to exercise differing amounts of control. The Trustees have selected the default fund options to best meet these differing needs, as well as to cater for Members wanting to take income drawdown in retirement.

Where the Trustees have agreed to a Bespoke Notional Section, details of these arrangements are outlined in Appendix 2, and full details of these arrangements are given to the relevant Members. Appendix 2 also shows former Bespoke Notional Sections that have moved to use the standard default and AMT Fund Range, since the last update to the SIP.

### **Default Investment Option**

The Trustees have selected Aegon BlackRock LifePath Flexi as the standard default investment option for Members, which is used as the default option by participating employers not wishing to implement an alternative default. The standard default option is compliant with the charge cap.

### **Aegon BlackRock LifePath target date series**

The Scheme's LifePath funds are pre-designed investment strategies that have an asset allocation based on the year that the Member expects to retire.

The Aegon BlackRock LifePath funds are designed to offer the potential for growth with a focus on managing investment risk at each stage of the journey towards retirement. This is achieved by utilising an investment strategy that gradually alters the asset allocation as Members near their target retirement date.

When the Member is younger, they are likely to have lower savings but a higher remaining earning potential, so the fund invests in riskier, growth focused asset classes. As the Member gets closer to the point at which savings are accessed, they are likely to have higher savings but a lower remaining earning potential, so the LifePath fund gradually switches into investments that aim to grow savings on a lower-risk basis. In the final 10 years prior to the Member's target retirement date, the aim is to invest in assets that are suited to the target outcome of the fund and reduce uncertainty as Members approach their retirement date. Although the actual value of the Member's pot cannot be guaranteed at any time, the asset allocation is designed to take age-appropriate risk throughout their investment journey. As the asset allocation changes, so does the risk profile of the relevant Aegon BlackRock LifePath fund (with risk, in this context, referring to the potential for a fall in value of a fund).

## Aegon BlackRock LifePath fund choices

There are three LifePath versions:

- **Aegon BlackRock LifePath Flexi fund:**  
for Members planning to leave their savings invested and draw income, and/or withdraw ad-hoc amounts from their savings.
- **Aegon BlackRock LifePath Retirement fund:**  
for those planning to buy an annuity at their target retirement date.
- **Aegon BlackRock LifePath Capital fund**  
for those planning to take their savings as a one-off cash sum.

Up until 10 years prior to the member's target retirement date, monies will be invested in the same assets regardless of which of the three Aegon BlackRock LifePath strategies they are invested in. From 10 years prior to the Member's target retirement date, the asset allocation of the three funds begins to differ as they target different retirement outcomes. This is illustrated by the charts below where the horizontal axis represents the number of years until the Member's target retirement date. The percentage allocation to each type of asset is shown on the left-hand scale and Members can follow how this changes as they get closer to their target retirement date.

If a Member (or their employer on their behalf) does not make an investment choice, their pension savings will be automatically invested (defaulted) into the Aegon BlackRock LifePath Flexi fund, with a target date which most closely matches their own target retirement date.

### Aegon BlackRock LifePath Flexi

The Aegon BlackRock LifePath Flexi fund utilises an age-appropriate investment strategy that gradually alters the asset allocation as Members near their target retirement to approximately 40% global equities and 60% fixed income by the Member's target retirement date.

When the fund reaches its target date, Members will be invested directly in an undated Aegon BlackRock LifePath Flexi fund which maintains the same 40%/60% asset allocation mix into retirement to support the flexibility for members to leave their savings invested and draw income, and/or withdraw ad-hoc one-off amounts from their savings.

At the point of retirement (far right in the chart below) Aegon BlackRock LifePath Flexi is designed for Members who wish to stay invested post-retirement and draw down an income from the fund. Exchange rate movements can affect the value of investments in foreign currencies; hence the fund hedges the majority of foreign currency exposure as the fund diversifies towards its asset allocation at retirement.



## Aegon BlackRock LifePath Flexi Fund

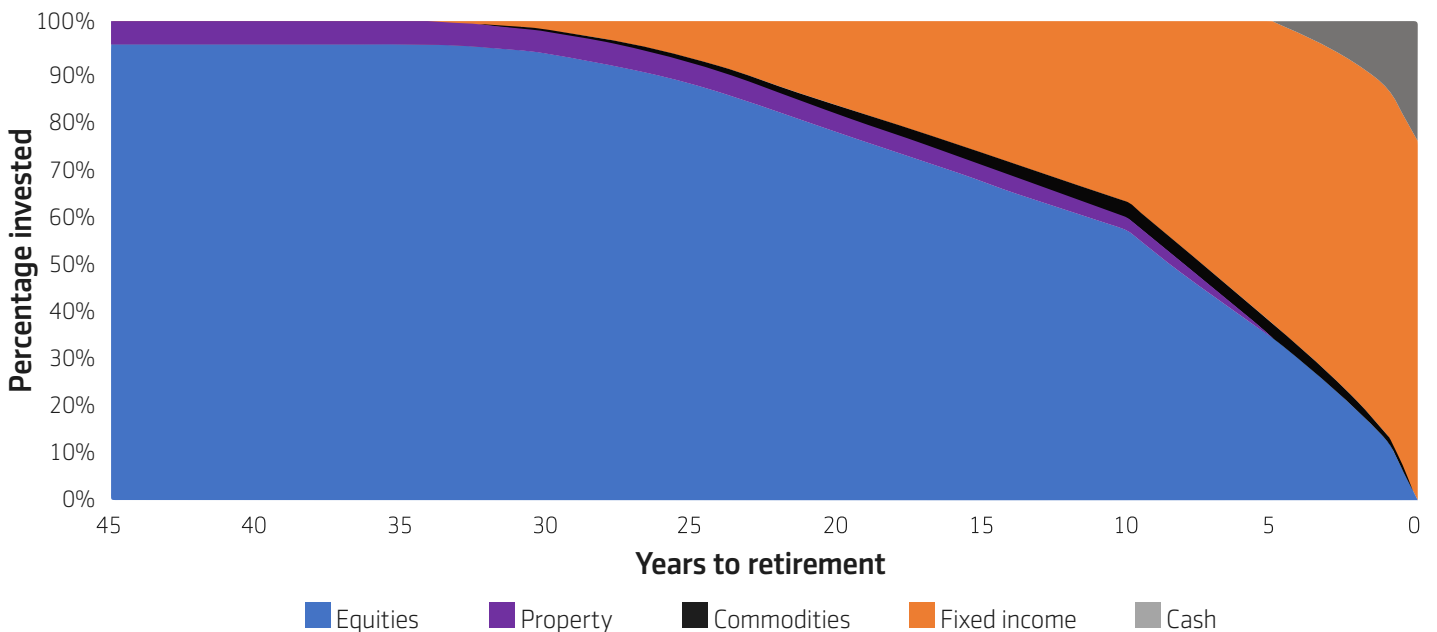


## Aegon BlackRock LifePath Retirement

The Aegon BlackRock LifePath Retirement fund aims to track immediate annuity rates and is 75% invested in the BlackRock Pre-Retirement fund at the Member's target retirement date. That fund invests mainly in UK government bonds (gilts), UK corporate bonds, and other fixed income securities and aims to produce a return in excess of a benchmark designed to reflect long-term changes in annuity prices.

When each Aegon BlackRock LifePath Retirement fund reaches its target date, it will also have a 25% allocation to cash-like investments as it is anticipated that many Members selecting this option will want to take advantage of current regulations allowing individuals to withdraw up to 25% of their savings tax free.

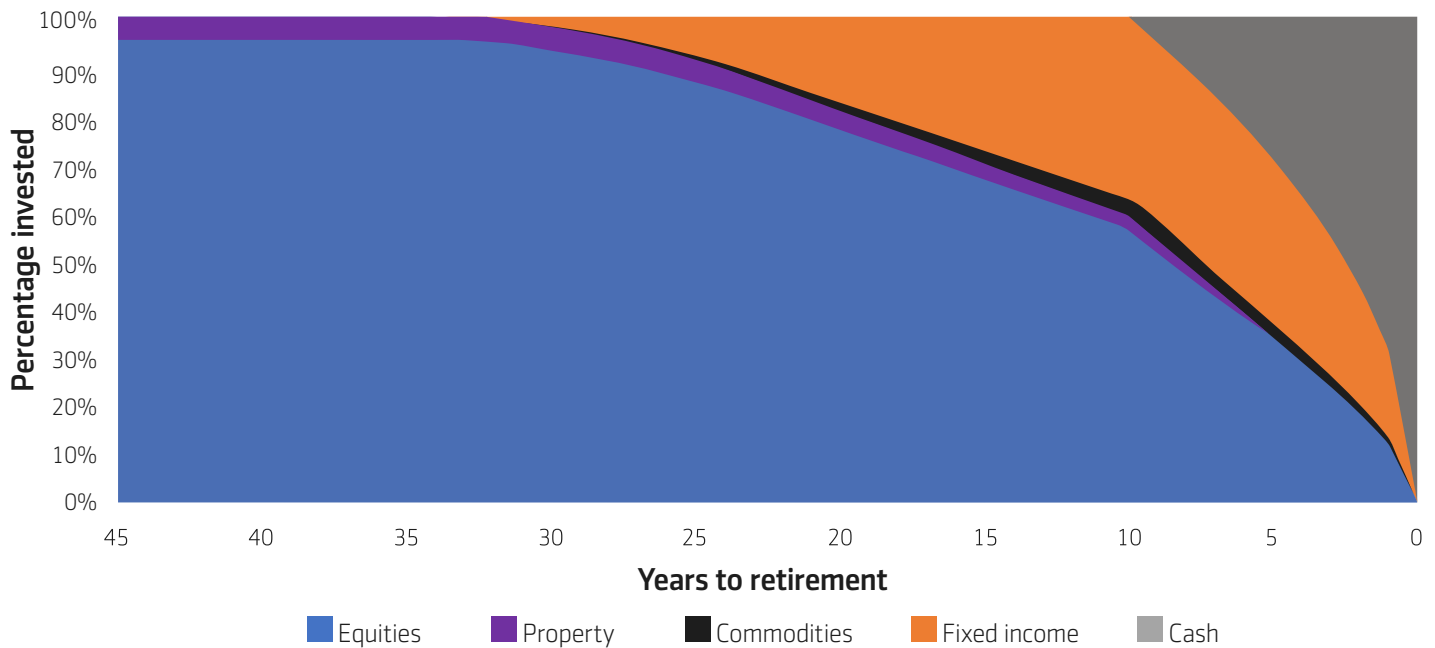
## Aegon BlackRock LifePath Retirement Fund



## Aegon BlackRock LifePath Capital

The LifePath Capital fund is designed to move towards cash-like investments that aim to produce a return in excess of its benchmark, principally from a portfolio of sterling-denominated cash, deposits and money-market instruments. When each LifePath Capital fund reaches its target date, Members remain invested in 100% cash-like investments.

### Aegon BlackRock LifePath Capital Fund



## Aegon Cash (AMT) Fund

For Members who select their own funds, there are circumstances in which the Aegon Cash (AMT) Fund (Cash Fund) temporarily becomes a Member's default fund. Such circumstances are infrequent and typically triggered by a fund being closed/suspended to new monies and withdrawals.

In this situation, Members' future contributions are re-directed to the Cash Fund. The Trustees and Aegon write to affected Members informing them of the fund closure/suspension and that contributions have been re-directed, inviting them to make an alternative fund selection.

While the Trustees do not believe the Cash Fund is suitable as a long-term pension investment given limited growth potential and exposure to inflation risk, the Trustees believe that the Cash Fund is a suitable default solution for investors in the short-term. This belief is based on, amongst other things, the following factors:

- it is a temporary solution offering a low-risk investment to give Members time to make an alternative fund selection; and
- the Trustees and Aegon communicate with impacted Members who can make an alternative fund selection.

## The AMT Fund Range

The Trustees have designed the AMT Fund Range to include passively managed and actively managed funds across the risk spectrum, covering all major asset classes. This aims to provide Members with the flexibility to construct their own investment strategies and is likely to cater for a variety of individual needs.

The fund range has been designed in line with the Trustees' responsible investment beliefs, to allow Members to select funds based on their own sustainable investing preferences and to address the risks and opportunities arising from climate change and other ESG factors. The AMT Fund Range includes funds that use exclusions to screen out investments that are particularly harmful to the environment and/or society. Typically, these screens cover the more obvious areas such as revenue from fossil fuels, but also exclude the likes of controversial weapons manufacturers, human rights violators and tobacco companies. The AMT Fund Range also includes several specialised funds, which focus more directly on sustainable investing and addressing climate issues.

Following market research conducted by Aegon, the Trustees have also considered Members' understanding of investment terminology to create a simplified and consistent naming structure across the range.

Each fund in the AMT Fund Range has fund objectives that define the manner in which they invest. The funds each utilise third party asset managers selected by the Trustees to deliver the fund objectives. If the Trustees believe there is a more appropriate underlying fund/s available to deliver to these objectives, they may replace the underlying fund/s and/or third-party asset manager.

## Old Core Range

At the date of this SIP, the Old Core Range is still available to some Members of the Scheme (including where applicable, Bespoke Notional Sections – see Appendix 2 for more information). The Old Core Range includes both passively managed and actively managed funds covering multi-asset and single asset strategies.

## Fund selection

The Trustees have selected the standard Aegon BlackRock LifePath strategy, the alternative Aegon BlackRock LifePath strategies, and the AMT Fund Range based on their suitability to satisfy the needs of Members within the Scheme.

Most investments used in the Aegon BlackRock LifePath strategies are passively managed, with the exception of the final 10 years of Aegon BlackRock Capital funds and Aegon BlackRock Pre-Retirement funds, which are managed actively by the relevant asset manager.

The Trustees recognise that there are additional risks and costs entailed in using actively managed funds. As a result, where a specific design objective can be met by a passively managed fund, it will be preferred to an actively managed fund. An actively managed fund would be selected in the following circumstances:

- where the relevant strategy isn't available through a passively managed fund;
- where the benefits of using the actively managed fund outweigh the cost considerations; or
- where the actively managed fund is being used to diversify asset manager risk in actively managed blended portfolios.

In regard to monitoring the funds, the Trustees receive a quarterly performance report which details information on underlying investment performance, strategy and overall risks which is considered at a relevant Trustee meeting. To aid with monitoring, the asset managers may also be invited to present in person to the Trustees on their performance, strategy and risk exposures.

## **Income drawdown**

The Trustees have chosen to offer Aegon BlackRock LifePath Flexi funds for Members who would like to target income drawdown in their retirement. Within the AMT Fund Range there are other options available for Members to select the investments most suitable for their retirement needs, this also includes the alternative LifePath default options (LifePath Capital and LifePath Retirement).



## Appendix 2 to SIP – Bespoke Notional Sections

### Employer – Sun Life of Canada 2015 Employee Pension Plan

**Investment objectives** – see Section 2

**Default objectives** – see Appendix 1

**Default arrangement(s)** – After receiving advice from their investment adviser, the Sun Life of Canada 2015 Employee Pension Plan moved to using the following Aegon BlackRock LifePath strategies as default funds on 22 June 2022:

- active members transferred to Aegon BlackRock LifePath Flexi;
- two members very close to retirement moved to Aegon BlackRock LifePath Retirement; and
- deferred members transferred to Aegon BlackRock LifePath Capital.

**Self-select fund range** –

- Standard AMT Fund Range
  - The Sun Life of Canada Fund
- 

### Employer – KPMG Deferred Plan

**Investment objectives** – see Section 2

**Default objectives** – see Appendix 1

**Default arrangement(s)** – Aegon BlackRock LifePath Flexi

**Self Select fund range: Selected from the Old Core Range** –

- Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)
- Aegon BlackRock Cash (BLK)
- Aegon BlackRock Corporate Bond (BLK)
- Aegon BlackRock Diversified Growth (BLK)
- Aegon BlackRock Emerging Markets Equity Index (BLK)
- Aegon BlackRock Market Advantage (BLK)
- Aegon BlackRock Over 15 Year Gilt Index (BLK)
- Aegon BlackRock Over 5 Year Index-Linked Gilt Index (BLK)
- Aegon BlackRock Pre-Retirement (BLK)
- Aegon Property (BLK)
- Aegon BlackRock UK Equity Index (BLK)
- Aegon BlackRock World (ex-UK) Equity Index (BLK)
- Aegon HSBC Islamic Global Equity Index (BLK)
- Aegon LGIM Ethical Global Equity Index (BLK)

**Additional Fund choice:**

- Aegon BlackRock US Equity Index (BLK)
- Aegon BlackRock European Equity Index (BLK)

- Aegon BlackRock Japanese Equity Index (BLK)
- Aegon BlackRock Pacific Rim Equity Index (BLK)
- Aegon Threadneedle UK Social Bond Fund

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## **Employer – SG Retirement Savings Plan**

**Investment objectives** – see Section 2

**Default objectives** – see Appendix 1

**Default arrangement(s)** – Aegon BlackRock LifePath Flexi

In addition to the default fund, it has been necessary for a blended fund – SG Property Dynamic Blend – to be created to facilitate staged redemptions from an underlying property fund. This fund was launched on 29th June 2021 and is considered to be an ‘additional’ default within SG Retirement Savings Plan Bespoke Notional Section.

SG Property Dynamic Blend is a blend of direct property and listed property securities.

The Fund is a temporary arrangement designed to facilitate disinvestment from the underlying Direct Property exposure, whereby the cashflows from each disinvestment will be automatically invested in Property Securities until such a time as 100% of the Fund is invested in Property Securities. At this point members will be contacted, and their money transferred to Aegon BlackRock LifePath Flexi (the Scheme default) or an alternative self-select fund if instructed by the member.

The default option complies with the charge cap.

The Trustees review the default arrangement at least every 3-years and without delay following any significant change in investment policy or demographic profile of Members from the SG Retirement Savings Plan.

The Trustees received independent advice on the suitability of this solution. The review was comfortable with the construction of the fund, and in particular the use of property securities as a short-term home for Members’ assets pending the redemption of all assets in the Fund.

**Self Select fund range: Selected from the Old Core Range –**

- Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)
- Aegon BlackRock Cash (BLK)
- Aegon BlackRock Diversified Growth (BLK)
- Aegon BlackRock Emerging Markets Equity Index (BLK)
- Aegon BlackRock Market Advantage (BLK)
- Aegon BlackRock Pre-Retirement (BLK)
- Aegon BlackRock UK Equity Index (BLK)
- Aegon BlackRock World (ex-UK) Equity Index (BLK)
- Aegon HSBC Islamic Global Equity Index (BLK)
- Aegon LGIM Ethical Global Equity Index (BLK)
- Aegon Baillie Gifford Positive Change
- Aegon HSBC Developed World Sustainable Equity Index
- Aegon Ninety One Global Multi-Asset Sustainable Growth



**Additional Fund choice:**

- Aegon BlackRock US Equity Index (BLK)
- Aegon BlackRock European Equity Index (BLK)
- Aegon BlackRock Japanese Equity Index (BLK)
- Aegon BlackRock Pacific Rim Equity Index (BLK)
- Aegon BlackRock MSCI Currency Hedged World Index (BLK)
- Aegon BlackRock UK Special Situations (BLK)
- SG Passive Global Equity Fund
- SG Active Global Equity Fund
- SG Diversified Growth Fund
- Aegon BlackRock Absolute Return Bond (BLK)
- Aegon BlackRock Corporate Bond All-Stocks Index (BLK)
- Aegon BlackRock All Stocks UK Gilt Index (BLK)
- Aegon BlackRock Index-Linked Gilt (BLK)



## Former Bespoke Notional Sections

After receiving investment advice from Isio, the following participating employers now have access to the standard Scheme fund range (Aegon BlackRock LifePath and the AMT Fund Range) only.

These notional sections are no longer considered to be Bespoke Notional Sections.

Employer	Transition completed	Summary of changes
The MacIntyre Group Pension Scheme	31st July 2023	Removal of 3 funds Retention of 3 funds Addition of 22 funds
The Anglo American UK Pension Plan	30th June 2023	Removal of 12 funds Retention of 9 funds Addition of 16 funds
Turner & Townsend Pension Plan	31st July 2023	Removal of 10 funds Retention of 2 funds Addition of 23 funds
Skanska DC2018 Plan	30th June 2023	Removal of 9 funds Retention of 6 funds Addition of 19 funds
Beales Deferred Section of the Aegon Master Trust	30th June 2023	Removal of 7 funds Retention of 6 funds Addition of 19 funds
Archant Pension Plan	30th June 2023	Removal of 34 funds Retention of 6 funds Addition of 19 funds
The Mars Pet Nutrition 2019 Pension Plan	30th June 2023	Removal of 3 funds Retention of 4 funds Addition of 21 funds

## Appendix 3 to SIP – standard fund range investment / performance objectives

The following tables provide information on the Aegon BlackRock LifePath strategies and the AMT Fund Range. As some funds in the AMT Fund Range are renamed versions of existing funds in the Old Core Range, these appear together in the tables below.

Default strategies	Investment objectives	Performance objective (before fees)
Aegon BlackRock LifePath Flexi fund (default)	<p>The Aegon BlackRock LifePath Flexi fund will initially invest Members in higher growth target investments.</p> <p>The funds will then glide towards an asset allocation split of approximately 40% global equities and 60% fixed income by its target retirement date.</p>	<p>The fund aims to track the markets in which it invests. The benchmark is a composite index reflecting these markets and Aegon BlackRock LifePath Flexi's exposure to them. Like Aegon BlackRock LifePath Flexi the composite benchmark changes its asset allocation over time and will differ from the growth phase to the retirement phase.</p>
Aegon BlackRock LifePath Retirement fund	<p>The Aegon BlackRock LifePath Retirement Fund will initially invest Members in higher growth target investments. The Fund will glide towards a lower risk asset allocation designed to track annuity rates. It is 75% invested in the Aegon BlackRock Pre-Retirement Fund at its target retirement date, which invests mainly in UK government bonds (gilts), UK corporate bonds and other fixed income securities, aiming to produce a return in excess of a benchmark designed to reflect long-term changes in immediate annuity prices. At this point, the fund also has a 25% allocation to cash-like investments for Members taking 25% of their savings tax free.</p>	<p>The fund aims to initially track the markets in which it invests. The benchmark is a composite index reflecting these markets and Aegon BlackRock LifePath Retirement's exposure to them. At retirement the performance objective of the fund is to track immediate annuity rates with 75% of the fund's allocation.</p>

Default strategies	Investment objectives	Performance objective (before fees)
Aegon BlackRock LifePath Capital fund	<p>The LifePath Capital fund will initially invest Members in higher growth target investments.</p> <p>The fund is designed to glide towards cash-like investments and will invest in the Aegon BlackRock Cash Fund on reaching its target retirement date, which aims to produce a return in excess of its benchmark principally from a portfolio of sterling denominated cash, deposits and money-market instruments.</p>	<p>The fund aims to initially track the markets in which it invests. The benchmark is a composite index reflecting these markets and Aegon BlackRock LifePath Capital's exposure to them. At retirement the performance objective is to maintain capital value.</p>
Aegon Cash (AMT)	<p>The fund aims to produce a return in line with its benchmark by investing in money market instruments which may include cash, bank deposits and short-term fixed interest investments.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	<p>The fund aims to produce a return in line with the SONIA Sterling Over Night Index Average.</p>

## Funds with a specific focus on sustainability built into their objective or investment process

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Global Climate Focus Equity (AMT)	<p>This fund aims to achieve capital growth by investing at least 80% of the fund's assets in the shares of companies across the globe with exposure to the theme of climate change solutions. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>The fund aims to outperform the MSCI All Country World Net Index GBP Index.</p>
Aegon Global Short Term Sustainable Bond (AMT)	<p>This fund invests in a range of global short-dated investment grade bonds primarily with 4 years or less to maturity. The fund can also invest in high yield, callable and non-rated bonds. It uses proprietary climate transition research to identify companies that have robust, credible plans to transition towards a low carbon economy. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>The fund aims to outperform the Sterling Over Night Index Average.</p>

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Global Sustainable Government Bond (AMT)	<p>This fund will seek to achieve its investment objective by investing at least 67% of its net assets directly or indirectly in government bonds issued across the globe. The remainder will be invested in liquid assets such as cash and cash equivalents. The asset manager aims to add value by investing in financially strong countries that contribute to the improvements in sustainability targets as defined by the United Nations (UN) Sustainable Development Goals (SDGs). Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>The fund aims to outperform the FTSE Non-GBP World Government Bond Index.</p>
Aegon Global Sustainable Equity (AMT) <i>(Aegon Bailie Gifford Positive Change (BLK))</i>	<p>This fund aims to outperform its benchmark by at least 2% per year over rolling five-year periods. It does so by investing in the shares of between 25-50 companies across the globe the asset manager believes can deliver positive change in one of four current areas: Social Inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life; and addressing the needs of the world's poorest populations.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>The fund aims to outperform the MSCI ACWI Index by at least 2% per year over rolling five-year periods.</p>



AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
<p>Aegon Global Sustainable Multi-Asset Growth (AMT) <i>Aegon Ninety-One Global Multi-Asset Sustainable Growth (BLK)</i></p>	<p>This fund aims to provide capital growth (to grow the value of your investment) and income over rolling 5-year periods by investing in assets across the globe such as the shares of companies, bonds, and alternative assets. Derivatives may also be used for investment purposes.</p> <p>The fund focuses on investing in companies and countries the asset manager believes to have policies, operations and/or business models that aim to minimise their harmful effects on society and the environment, or whose products and/or services seek to benefit society and the environment.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>Composite Index of 60% MSCI ACWI NR GBP Hedged + 40% JPM Government Bond Index (GBI) GBP Hedged.</p>
<p>Aegon Global Sustainable Multi-Asset Balanced (AMT) <i>(Aegon BlackRock Market Advantage (BLK))</i></p>	<p>This fund aims to deliver returns over the long term (5 consecutive years) which exceed 3 Month SONIA Compounded in Arrears + 3.5% (before charges) by investing in assets across the globe such as the shares of companies, bonds, and alternative assets. Derivatives may also be used for investment purposes.</p> <p>The consideration of Environmental, Social and Governance (ESG) issues are integrated into the investment process of this fund.</p> <p>The fund is actively managed, so returns may not replicate those of the benchmark.</p>	<p>The fund targets 3.5% above 3-month LIBOR over the long term (5 consecutive years).</p>

## Funds which integrate exclusionary criteria

This means that based on certain thresholds, they will not invest in certain companies, based on ESG concerns. The following funds integrate exclusions including but not limited to controversial weapons, nuclear weapons, civilian firearms, and UN Compact violators:

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Global Small Cap Equity Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of smaller companies from across the globe. Derivatives may also be used for investment and efficient portfolio management purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the MSCI World Small Cap ESG Index.
Aegon Emerging Markets Equity Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of companies domiciled in Emerging Markets and through other transferable securities that give exposure to such companies. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the Morningstar Dev Markets Asia Pacific ex-Jap ESG Enhanced UK12PM Net Index.

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Europe ex-UK Equity Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of European companies excluding UK companies. Derivatives may also be used for investment and efficient portfolio management purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the FTSE All World Developed Europe ex UK Net of Tax GBP Index.
Aegon Japan Equity Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of Japanese companies. Derivatives may also be used for investment and efficient portfolio management purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the FTSE All World Japan Net of Tax GBP

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Pacific ex-Japan Equity Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of Asian (excluding Japan) companies. Derivatives may also be used for investment and efficient portfolio management purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the Morningstar Emerging Markets ESG Enhanced Index (Net) Index.
Aegon US Equity Tracker (AMT)	<p>The fund aims to produce a return in line with its benchmark by investing in the shares of a range of US companies. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the FTSE United States GBP Index.

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon UK Corporate Bond Tracker (AMT)	<p>This fund aims to produce a return in line with its benchmark by investing in a range fixed income securities (such as bonds) that comply with the index credit rating requirements. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track the iBoxx Sterling Non-Gilts Index.
Aegon Retirement Income Multi-Asset (AMT)	<p>This fund is designed for members who wish to stay invested post-retirement and draw down an income from their Defined Contribution pot. This fund aims to produce a return in line with its benchmark by investing in predominantly fixed income assets and some equities. Exchange rate movements can affect the value of investments that are in foreign currencies and therefore the fund will use specific instruments with the aim of hedging out the majority of the foreign currency exposures.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to track 75% DC Pre-Retirement Fund Benchmark / 25% SONIA Sterling Over Night Index Average.

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
Aegon Global Listed Infrastructure (AMT)	<p>This fund aims to deliver a combination of capital growth and income higher than that of its benchmark over any five-year period (after charges) by investing at least 80% in shares issued by global infrastructure companies, investment trusts and real estate investment trusts. It will typically hold shares in fewer than 50 companies. Derivatives may also be used for investment and efficient portfolio management purposes. The use of derivatives is expected to be limited. The Aegon fund has higher charges than the underlying fund and will therefore be less likely to meet this target.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to outperform the MSCI All Country World Index.
Aegon Cash (AMT)	<p>The fund aims to produce a return in line with its benchmark by investing in money market instruments which may include cash, bank deposits and short-term fixed interest investments.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	The fund aims to produce a return in line with the SONIA Sterling Over Night Index Average.



AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
<p>Aegon Global Islamic Equity Tracker (AMT) <i>(Aegon HSBC Islamic Global Equity Index (BLK))</i></p>	<p>This fund aims to deliver a return in line with its benchmark by investing in the shares of companies engaged in Sharia-compliant activities across the globe. Derivatives may also be used for investment purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p> <p>Please note: Although this fund invests in companies engaged in Sharia compliant activities, the Aegon Master Trust product may not meet all the requirements for Sharia compliance. For more information please view the Scheme documentation.</p>	<p>The fund aims to track the Dow Jones Islamic Market Titans 100 Net Total Return Index.</p>
<p>Aegon Developed Markets ex-UK Equity Tracker (AMT) <i>(Aegon BlackRock World (ex-UK) Equity Index (BLK))</i></p>	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of overseas companies excluding the UK. Derivatives may also be used for investment purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	<p>The fund aims to track the FTSE All-World Developed ex-UK Index.</p>

AMT Fund Range (Old Core Range)	Investment objectives	Performance objective (before fees)
<p>Aegon Developed Markets Equity Tracker (AMT) <i>(Aegon HSBC Developed World Sustainable Equity Index(BLK))</i></p>	<p>This fund aims to deliver a return in line with its benchmark by investing in the shares of companies in Developed Markets (in UK, Europe, Asia, North America). Derivatives may also be used for investment purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	<p>The fund aims to track the performance of the FTSE Developed ESG Low Carbon Select Index.</p>
<p>Aegon UK Equity Tracker (AMT) <i>(Aegon BlackRock UK Equity Index (BLK))</i></p>	<p>This fund aims to produce a return in line with its benchmark by investing in the shares of UK companies. Derivatives may also be used for investment purposes. The use of derivatives is expected to be limited.</p> <p>This fund uses a set of exclusionary criteria which removes exposure to certain companies based on ESG concerns. The exclusionary thresholds and definitions are owned by a third party and subject to change.</p>	<p>The fund aims to track the FTSE All Share Index.</p>

## Funds which integrate ESG considerations within their overall investment process

AMT Fund Range	Investment objectives	Performance objective (before fees)
Aegon Global Absolute Return Bond (AMT)	<p>This fund invests in global debt instruments, ranging from AAA rated government bonds through to high yield and emerging market bonds and aims to generate positive absolute returns over a rolling three-year period. Derivatives may also be used for investment and efficient portfolio management purposes.</p> <p>The consideration of ESG issues is integrated into the investment process of this fund.</p>	The fund aims to outperform the Sterling Over Night Index Average.
Aegon Global Strategic Bond (AMT)	<p>This fund aims to deliver a positive return of 4% above the Overnight SONIA rate before charges over a 5-year rolling period by investing in bonds issued by companies with credit ratings typically BBB or lower.</p> <p>The consideration of ESG issues is integrated into the investment process of this fund.</p>	The fund aims to outperform the Sterling Over Night Index Average +4% over a 5-year rolling period.
Aegon UK Property (AMT)	<p>The fund aims to provide a return in-line with its benchmark by investing in a portfolio of balanced open-ended UK property funds. The fund is actively managed, so returns may not replicate those of the benchmark.</p> <p>The consideration of ESG issues is integrated into the investment process of this fund.</p>	The fund aims to outperform the IPD All Balanced Property Funds Index.

AMT Fund Range	Investment objectives	Performance objective (before fees)
Aegon UK Index-Linked Government Bond Tracker (AMT) <i>(Aegon BlackRock Over 5 Years index-Linked Gilt Index (BLK))</i>	This fund aims to produce a return in line with its benchmark by investing in UK index-linked government bonds that have a maturity period of 5 years or longer.	The fund aims to track the FTSE Actuaries UK Index-Linked Gilts over 5 Years Index.
Aegon UK Government Bond Tracker (AMT) <i>(Aegon BlackRock Over 15 Years Gilt Index (BLK))</i>	This fund aims to produce a return in line with its benchmark by investing in UK government bonds that have a maturity period of 15 years or longer.	The fund aims to track the FTSE Actuaries UK Conventional Gilts over 15 Years Index.

## Old Core Range

Old Core Range	Investment objectives	Performance objective (before fees)
Aegon BlackRock 30/70 Currency Hedged Global Equity	Enable Members to access UK and global equity markets. Approximately 30% is invested in UK companies, 60% in developed overseas equities with currency exposure hedged back to sterling, and the remaining 10% invested in emerging market equities. The fund aims to perform in line with its benchmark.	Track the fund's benchmark (30% FTSE All Share Index, 60% Developed Overseas Equities with currency exposure hedged back to sterling and 10% Emerging Market Equities).
Aegon BlackRock Emerging Markets Equity Index	Enable Members to access emerging markets equity markets, aiming to produce returns in line with its benchmark.	Track the MSCI Global Emerging Markets Index.
Aegon LGIM Ethical Global Equity Index	Provide Members with the opportunity to access a subset of global equity markets which comply with ethical criteria.	Track the fund's benchmark (FTSE4Good Global Equity Index).
Aegon Property	Enable Members to access the commercial property market by investing in a small number of underlying property funds.	To outperform its benchmark (IPD All Balanced Property Funds Index).
Aegon BlackRock Diversified Growth	Enable Members to access a fund which invests in a range of asset classes, actively managed utilising a flexible investment approach.	Targets 3.5% above the Bank of England official Bank Rate over rolling 3-year periods.
Aegon BlackRock Corporate Bond	Enable Members to access a broad range of company bonds and other interest bearing securities, which are actively managed. Exposure to non-sterling assets will typically be hedged back to sterling. The fund may also invest in preference shares, convertibles, other transferable securities and collective investment schemes.	To outperform its benchmark (BofA ML Sterling Corporate Bond Index).

Old Core Range	Investment objectives	Performance objective (before fees)
Aegon BlackRock Cash	Enable Members to access a portfolio of cash, deposits and money-market instruments, the allocation of which is actively managed, and aiming to produce returns in excess of its benchmark.	To outperform its benchmark (7 Day LIBID Rate).
Aegon BlackRock Pre-retirement	Enable Members to access UK gilts, UK bonds and other fixed interest income securities, aiming to produce returns in excess of a benchmark designed to reflect long-term changes in immediate annuity prices.	The benchmark takes into account factors including expected longevity of annuitants, yields in the corporate bond market, and types of annuities generally purchased by pension investors. The benchmark and investment strategy are subject to annual review and may be updated should we decided that other factors need to be taken into account.



# Appendix 4

## Aegon Master Trust Implementation Statement

### Summary of key purpose of Implementation Statement

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (the “**Disclosure Regulations**”), this Implementation Statement:

- sets out how, and the extent to which the Statement of Investment Principles (“SIP”) has been followed during the Scheme Year;
- describes any review of the SIP undertaken in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 (the “**Investment Regulations**”) during the Scheme Year, and any other review of how the SIP has been met;
- explains any change made to the SIP during the Scheme Year and the reason for the change;
- describes the voting behaviour by, or on behalf of, the Trustees (including the ‘most significant votes’ cast by the Trustees or on their behalf) during the year and any use of proxy voter services.

It also reflects the Department for Work and Pensions (DWP) Statutory Guidance on Reporting and Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement (the “**DWP Stewardship Guidance**”), which came into effect from 1 October 2022. This includes the requirement to state how, and the extent to which the policy covered in the SIP regarding the exercise of the rights (including voting rights) attached to the Scheme’s investments; and the undertaking of engagement activities in respect of the Scheme’s investments, has been followed during the Scheme Year.

This Implementation Statement covers the period 1 April 2022 to 31 March 2023 (the “**Scheme Year**”).

## Updates to the Statement of Investment Principles during the Scheme Year

In accordance with the Investment Regulations, the SIP must be reviewed at least every three years and without delay after any significant change in investment policy. The default strategy must also be reviewed after any significant change in the demographic profile of relevant Members.

A revised SIP was adopted in September 2021.

It was further updated, during the Scheme Year, on 2 September 2022 to reflect the addition of three funds (Aegon Baillie Gifford Positive Change; Aegon HSBC Developed World Sustainable Equity Index, and Aegon Ninety One Global Multi-Asset Sustainable Growth) to the Core Fund Range and to one Advised Notional Section (now referred to as Bespoke Notional Sections), together with an update on the Sun Life of Canada 2015 Employee Pension Plan default arrangements. The Trustees also clarified that they would annually review how asset managers align with, and reflect, the Trustees' investment and stewardship priorities and policies.

This Implementation Statement explains how the Scheme followed and acted on the Trustees' investment policies outlined in the two applicable SIPs during the Scheme Year (the SIP adopted by the Trustees in September 2021 and the revised version adopted in September 2022).

Since the end of the Scheme Year, the SIP has been further updated and this will be reported on in next year's implementation statement.

The latest SIP can be found online at the web address <https://www.aegon.co.uk/workplace/employers/targetplan/master-trust.html> or is available to Members on request.



## Executive Summary

In summary, this Implementation Statement details the following.

How the Trustees followed the key policies outlined in the two applicable SIPs during the Scheme Year (the SIP adopted by the Trustees on 15 September 2021 and the subsequent version adopted in September 2022). This includes the Scheme's investment strategy, financially material and non-financial factors, and arrangements with asset managers.

- **Key policies in the Statement of Investment Principles**, page 114

What the Trustees have done in relation to stewardship (the exercise of rights attached to investments) and engagement activities with asset managers. This includes monitoring asset managers' engagement with underlying investee companies, in the funds they manage on behalf of the Trustees.

- **Sustainability, engagement and stewardship**, page 127
- **Responsible investment asset manager monitoring**, page 128
- **Trustee assessment of BlackRock as principal asset manager**, page 130
- **Summary of engagement activity by asset managers**, page 133
- **Broader considerations related to stewardship**, page 146

Whether voting by asset managers on the Trustees' behalf, during the Scheme Year, reflected the Trustees' investment beliefs and policies. This includes 'most significant votes and voting records for all funds offered by the Scheme, where the asset manager was eligible to vote.

- **Monitoring of asset manager voting behaviour**, page 129
- **Summary of voting behaviour and most significant votes**, page 138
- **Appendix – Record of most significant votes**, page 138
- **Appendix – Voting record for all funds, where asset manager eligible to vote**, page 147

## Implementation Statement

This statement confirms that, in the opinion of the Trustees, the Scheme has followed the investment policies set out in the applicable SIP during the Scheme Year. The Trustees consider that implementation of these policies during the Scheme Year has driven long-term value for the Scheme's beneficiaries and stewardship activity (including voting) undertaken on the Trustees' behalf reflects the Trustees' stewardship principles, responsible investment beliefs and the way in which it expects the Scheme's assets to be managed.

## Signed

**Ian Pittaway, for and on behalf of**

**Independent Trustee Limited, Chair of Trustees**

**Date: 14 September 2023**

## Key policies in the Statement of Investment Principles

The Trustees have established an AMT Investment Sub-Committee to ensure the key topic of investments within the Scheme receives regular, focused oversight. The Investment Sub-Committee reviews the Scheme investment offering in accordance with the Statement of Investment Principles (“SIP”) and takes actions as are necessary to ensure the SIP is followed. Any full review of the SIP required under the Investment Regulations will be carried out by the Investment Sub-Committee and the Investment Sub-Committee will recommend any changes to the SIP to the full Trustee Board.

The following table lists key policies set out in the September 2022 SIP, which are unchanged from the 2021 SIP, and a description of the Trustees’ actions in relation to each policy. It is this link from policy, to monitoring and reporting that provides the confirmation that, in the opinion of the Trustees, the Scheme has followed the investment policies set out in the SIP during the Scheme Year.

Policy	Commentary
<p><b>Choosing investments / monitoring</b></p> <p>Investment beliefs are guiding principles which inform the investment strategy, design of the default arrangements and the number and type of other investment options the Trustees make available to Members.</p> <p>The Trustees' investment beliefs:</p> <ul style="list-style-type: none"> <li><b>i.</b> Default arrangements should reduce Members' exposure to investment risk through their lifetime, as well as reflect their likely benefit choices.</li> <li><b>ii.</b> The fund range should meet the needs of the target market and these should be presented in a simple way that helps to combat common behavioural biases.</li> <li><b>iii.</b> Other self-select investment options should be offered to meet the differing risk and goal preferences of Members.</li> <li><b>iv.</b> As long-term investors the fund range should incorporate a sustainable investing framework.</li> </ul> <p>In keeping with the investment beliefs (set out above), the Trustees have designed their investment strategy to provide a suitable range of funds to Members so they can save for retirement. The fund range includes investments suitable to Members of different ages, with different retirement benefit plans and different attitudes to risk. In designing the fund range, the Trustees have taken advice from their investment advisers and, where appropriate, input from specialists employed by the Scheme's insurer (Aegon). The Trustees are aware some Members will not want to make decisions about where to save their contributions, whilst others will want to exercise differing amounts of control. The Trustees have designed the fund range to best meet these differing needs, as well as to cater for Members wanting to take income drawdown in retirement.</p>	<p>The Investment Sub-Committee has met regularly throughout Scheme Year to consider, oversee and, in respect of certain matters, approve on behalf of the Trustee Board matters relating to the management of investment performance of the Scheme's investments. The Investment Sub-Committee's role includes considering any requests for new funds, including defaults, by existing or potential Participating Employers, and overseeing the Scheme's Advised (Bespoke) Notional Sections. To reflect this, the Trustee Board made minor changes to the Investment Sub-Committee Terms of Reference.</p> <p>Quarterly Management Information (MI) packs, detailing information on underlying investment performance, strategy and overall risks, were considered at relevant Investment Sub-Committee and Trustee meetings, with attendance by the Aegon CIO and senior members of the Aegon Investment Solutions team. The independent investment adviser, Isio, also attended these meetings to provide advice and guidance. These reports are continually evolved to meet Trustees' brief for clear and consistent MI and to incorporate new regulatory requirements.</p> <p>The Investment Sub-Committee receives an annual assessment of transaction costs including review of competitor funds. This includes a comparison between passive and active fund transaction costs and provides monitoring of the impact of any agreed changes. The MI allows the Investment Sub-Committee to follow up with any asset managers identified as outliers, in relation to transaction costs, to ensure there is explanation or action to address transaction costs. As part of the Scheme Assurance Audit, for period ended 31 December 2021, carried out by Evelyn Partners (formerly Nexia Smith and Williamson) a findings report was produced which detailed potential areas for improvement to give the Trustees evidence the data is complete and accurate. Those changes have been implemented this Scheme Year.</p>

Policy	Commentary
<p>The Trustees review the performance of each fund in the range offered against the stated performance objective for that fund. The Trustees receive quarterly reports to facilitate this. Quarterly three-year rolling performance and investment risk is typically assessed against each fund's objectives and relevant benchmark.</p> <p>There is a fuller review annually to ensure fund managers have implemented their mandate correctly and comply with the policies set by the Trustees. This annual review includes a review of all fund costs, including transaction costs by individual fund, to ensure that each fund delivers value for money after all costs.</p> <p><b>Default designs</b></p> <p>The Trustees are aware that some Members will not want to make decisions about where to save their contributions, whilst others will want to exercise differing amounts of control. The Trustees have designed the fund range to best meet these differing needs, as well as to cater for Members wanting to take income drawdown in retirement.</p> <p>The Trustees recognise that risks are inherent in retirement savings. The Trustees have to strike a balance between taking sufficient investment risk to achieve good investment returns while ensuring that default arrangements (in particular) are not exposed to excessive risk when Members are about to retire.</p> <p>The Scheme's LifePath funds are pre-designed investment strategies that change the way the funds are invested based on the year that the Member expects to retire, known as the Member's 'Target Retirement Age'.</p>	<p>Aegon has an obligation to undertake fund governance oversight on behalf of the Trustees, to ensure that the fund options available to Members operate in line with expectations and deliver good customer outcomes. This activity is undertaken on all funds offered to Members in accordance with the regulatory requirements.</p> <p>Management Information (MI) on environmental, social and governance (ESG) Integration in default funds is discussed at each Investment Sub-Committee meeting, and there has been additional collaboration with BlackRock over ESG integration within the LifePath funds (detailed below).</p> <p>The Investment Sub-Committee and the wider Trustee Board have received quarterly performance reports on the standard default fund, Aegon BlackRock LifePath Flexi, the two variants Aegon BlackRock LifePath Capital and Aegon BlackRock LifePath Retirement and any Advised (Bespoke) Notional Section defaults. These reports detail quartile performance against a group of similar competitors' funds over different time periods. The assessment was updated in the Scheme year following advice from Isio to further ensure appropriate competitor comparison.</p> <p>Additional data requests are made, and discussions held as required; for instance, BlackRock were asked for additional data on performance against the benchmark (May 11 Investment Sub-Committee); a meeting was held with BlackRock (November 2022) to discuss performance and to understand potential changes to fixed income holdings. This meeting also covered the length of the de-risking process as part of the age-aware investment strategy, which is longer for the Aegon BlackRock LifePath funds than used in the default strategies of the peer group.</p>

Policy	Commentary
<p>There are three LifePath versions:</p> <ul style="list-style-type: none"> <li>• Aegon BlackRock LifePath Flexi fund: for Members planning to leave their savings invested and to draw income, or ad-hoc one-off amounts from their savings at retirement.</li> <li>• Aegon BlackRock LifePath Retirement fund: for those planning to buy an annuity at their Target Retirement Age.</li> <li>• Aegon BlackRock LifePath Capital fund: for those planning to take their savings as a one-off cash sum.</li> </ul> <p>The Trustees have designated the Aegon BlackRock LifePath Flexi as the standard default investment option for Members, which is used as the default option by Participating Employers not wishing to implement an alternative default. The standard default option is compliant with the charge cap.</p> <p>If a Member (or their employer on their behalf) does not make an investment choice, they will be automatically defaulted into the Aegon BlackRock LifePath Flexi fund, with a target date which most closely matches their own Target Retirement Age.</p>	<p>Isio confirmed to Trustees that they remain positive over the choice of options as default solutions.</p> <p>The ISC have met with BlackRock (November 2022) to discuss BlackRock's progress on ESG integration and to again call for a climate change objective for the Aegon BlackRock LifePath funds.</p> <p>Following a review by the Sun Life of Canada 2015 Employee Pension Plan's independent investment adviser, subsequently agreed by the Trustees, the Sun Life of Canada 2015 Employee Pension Plan has moved to use standard default Aegon BlackRock LifePath funds (advice covered choice of Flexi, Capital and Retirement to suit different cohorts within the Sun Life of Canada 2015 Employee Pension Plan membership).</p> <p>The Aegon BlackRock LifePath target date funds manage Members' savings using an age-aware investment strategy, altering the asset allocation as a Member approaches their target retirement date. This is constantly reviewed and considered as part of the performance updates and discussions with Isio, Aegon, and where necessary BlackRock.</p> <p>The Trustees have created their choice of funds to cater for Members looking to limit the risk of poor performance close to retirement. This was reviewed and considered as part of the Independent Investment Review, which took place during the 2021-22 Scheme year.</p> <p>The Trustees have discussed near retirement performance with BlackRock and explored a change in the fixed interest strategy. This will be implemented in the following Scheme year.</p>



Policy	Commentary
<p><b>Balance of different kinds of investments</b></p> <p>The Trustees have created the fund range to enable Members to gain access to a range of asset classes and markets taking account of a number of different risks. The fund range includes choices suitable for Members of different ages and with different retirement benefit plans. In deciding the types of assets to include the Trustees consider investment returns net of charges.</p> <p>The Trustees consider the merits of both active and passive management strategies and may select different approaches for different asset classes. The Scheme is permitted to invest in a wide range of asset classes including equities (both in the UK and overseas), bonds (both in the UK and overseas), cash, commercial property, alternatives and specialist funds (including ethical and Sharia).</p> <p>The Trustees have designed the Core Fund Range to include a limited number of choices which includes both passive and active funds covering multi-asset and single asset strategies. This aims to provide Members with the flexibility to construct their own investment strategies and is likely to cater for varying individual needs. In particular, two choices have been included which support Members with specific investment requirements: Sharia-compliant investing and ethical investing.</p>	<p>During the Scheme year, the SIP was reviewed and revised by the Trustee Board on 2 September 2022 to reflect the addition of three funds to the Core Fund Range: Aegon Baillie Gifford Positive Change; Aegon HSBC Developed World Sustainable Equity Index; Aegon Ninety One Global Multi-Asset Sustainable Growth.</p> <p>Throughout Scheme Year Trustees have received quarterly fund reviews and had the opportunity to discuss these with Aegon Investment team and Isio at Investment Sub-Committee and Trustee meetings. Additional reviews were requested, ad hoc where required, for instance the Investment Sub-Committee in November 2022 noted the performance of the Baillie Gifford Positive Change fund and asked that a detailed review be carried out on the fund, including its underlying components - no significant issues were identified in the review.</p> <p>During the Scheme Year the Trustees have worked extensively with Aegon and Isio to review the Core Fund Range to create new range to be available in the next Scheme Year (the AMT Fund Range). The new range takes a modern, competitive and balanced approach based on market insight and the evolving requirements of Members and is in line with the Trustees' Investment Beliefs and responsible investment beliefs set out in the SIP.</p> <p>The key principles of the fund range review were:</p> <ul style="list-style-type: none"> <li>• Analysis of how the current range meets the spectrum of needs for Members who opt out of the default.</li> <li>• A review by Isio with specific regard to ESG credentials and Member benefit/choice to aid in the selection of funds proposed for the range.</li> <li>• Analysis to ensure the range covers different risk levels to allow Members to select against their own risk appetite.</li> <li>• Analysis to ensure range includes Shariah equity funds and Sustainable funds across asset classes.</li> </ul>

Please bear in mind that the value of investments may go down as well as up and the final value of a member's pension pot may be less than has been paid in. There's no guarantee funds will meet their objectives. Funds investing in a single asset class, for example UK equities, should only be used as part of a diversified portfolio. Any charts are for illustrative purposes only, and we reserve the right to change funds' asset allocations and charges. You should get financial advice if you're not sure whether an investment or product is right for you.

Policy	Commentary
	<ul style="list-style-type: none"> <li>• The review has an assumed preference for passive management due to lower fees, and comparable long-term performance compared to actively managed equivalent funds. Actively managed funds are only included where there is clear Member benefit. Isio have additionally advised on the best management style for each asset class.</li> <li>• Work, and research with Members to ensure naming conventions for the range clearly signpost depth of ESG integration in each fund to allow Members to select against their own preferences. The new fund range will adopt naming conventions to ensure choice is clear and understandable, based on Member feedback via Aegon Customer Panel and referencing FCA guidance. The word 'sustainable' is only integrated into the naming of the funds where supported in the objectives of the underlying funds.</li> <li>• Work has been undertaken to ensure alignment with the FCA's Guiding Principles on ESG and Sustainable Investment Funds.</li> <li>• The Investment Association's Responsible Investment Spectrum has been used to guide fund categorisation throughout the review to ensure clarity for Members.</li> <li>• The review has taken account of market insight, including competitor analysis and feedback from a number of employers via Aegon's Distribution team. This has given the review a basis for the 'ideal' range size for both ease of choice and depth of choice.</li> <li>• Identified key principles for fund removal to be adopted during implementation of approved changes.</li> </ul> <p>The Trustees also requested a comparison of the revised self-select fund range (known as the AMT Fund Range) against competitor funds during the design of the range.</p>

Policy	Commentary
<p><b>Advised (Bespoke) Notional Sections</b></p> <p>The Trustees recognise that some participating employers, working with their own advisers, wish to access a wider range of investment funds than are currently available in the core range offering or to use a different default arrangement. For those Employers, the Trustees will consider an advised notional section to achieve the best outcome for members taking account of the Employer’s proposals.</p> <p>The Trustees will take written independent investment advice on the appropriateness of any new funds that are proposed as default arrangements, or as additional self-select funds for a particular member cohort, including an assessment of value for money to Members.</p> <p>The Trustees will take into account the investment risks and objectives identified in this Statement of Investment Principles for each advised notional section. Additionally, the Trustees will seek to ensure any proposed default or addition to the core fund range is appropriate to the member needs and consider whether there are existing funds in the Core Fund Range that are comparative to those being proposed.</p> <p>Investments within advised notional sections must align with our Responsible Business beliefs and any underlying Investment Manager must comply with both the UN Principles for Responsible Investment (UNPRI) and the Financial Reporting Council Stewardship Code.</p> <p>All advised notional section arrangements will be subject to ongoing performance review and the same standards of Fund Governance monitoring. The Trustees require quarterly reports on how funds performed each quarter on an ongoing basis.</p>	<p>The Trustees are now referring to Advised Notional Sections as Bespoke Notional Sections, and this is reflected in the SIP which was published in May 2023, outside the Scheme year.</p> <p>There is a formal review scheduled every three years of the Advised (Bespoke) Notional Sections.</p> <ul style="list-style-type: none"> <li>• Six Advised (Bespoke) Notional Sections reviews were completed in February 2022, immediately prior to this Scheme Year. Those reviews led to agreed changes that have been implemented across the last Scheme Year, the current Scheme Year and will be completed in the following Scheme Year. Those changes were noted in the SIP of September 2022, and are to be further updated in revisions to the SIP in the next Scheme Year once implemented. Following implementation of the changes these Employer schemes will no longer be classed as Advised (Bespoke) Notional Sections. All Members of those Advised (Bespoke) Notional Sections have received explanatory communications.</li> <li>• The review of the Sun Life of Canada 2015 Employee Pension Plan’s Advised (Bespoke) Notional Section by the Employer’s Scheme adviser was received by Trustees in March 2023. The review recommended that the current bespoke self-select range is replaced with the new AMT Fund Range and the addition of one bespoke fund. Isio confirmed their view that retaining this fund is sensible. That one bespoke fund means the Scheme will remain a Bespoke Notional Section going forward. The review recommended all Members are moved into Aegon BlackRock LifePath default funds unless they selected otherwise.</li> <li>• Remaining Advised (Bespoke) Notional Sections are due for reviews in the period up to April 2025.</li> </ul>

Policy	Commentary
<p>Advised notional sections will be reviewed formally by the Trustees every three years (or more regularly as provided elsewhere in this SIP) supported by independent investment advisers and Aegon's Investment Governance Team to ensure the funds which have been made available to members of the Advised Notional Sections remain appropriate.</p> <p><b>Investment risks – inflation</b></p> <p>The value of a basket of goods will increase in the future because of inflation, therefore the performance of Member funds must generally keep pace with this increase, to protect what is known as the real value of Member savings. The Trustees have defined their investment choices to provide options for Members looking to grow the value of their savings.</p> <p><b>Investment risks – interest rates</b></p> <p>There is a risk that a decline in interest rates could materially reduce the amount of income which can be generated from a given level of capital. Such a risk can occur suddenly and potentially near the point of retirement. It can be partially mitigated through the Lifepath Retirement Fund which changes its mix of assets in the 10 years prior to retirement by investing in UK government gilts and other fixed interest securities designed to match annuity rates.</p>	<ul style="list-style-type: none"> <li>All funds offered in an Advised (Bespoke) Notional Section are included in the Quarterly MI reporting. The Investment Sub-Committee are able to request further reviews and analysis as required. In the Scheme Year the Investment Sub-Committee requested such analysis of the actively managed funds available to Members of the Advised (Bespoke) Notional Section of the SG Retirement Savings Plan to better understand the implications of the MI data. The funds were generally performing as expected given their fund objectives. The Investment Sub-Committee requested further discussions with the SG Retirement Savings Plan to better understand the fund strategy behind one fund's blend. This is to be followed up in the next Scheme Year.</li> </ul> <p>Inflation is a key risk closely monitored and managed as part of the Aegon BlackRock LifePath management framework.</p> <p>The Aegon BlackRock LifePath fund in its Early Days stage is designed to use 100% equity, or equity like, with the intention to stay ahead of inflation in the long-term.</p> <p>Interest rate risk is designed to be partially mitigated through option of the Aegon BlackRock Lifepath Retirement fund which changes its mix of assets in the 10 years prior to retirement by investing in cash, UK government bonds and other fixed income securities. During the Scheme year, the value of bonds fell, the impact of this can be seen in the performance of the At Retirement stage of this fund. However, as annuity rates have improved in this period due to the relationship between UK government bonds and annuity rates, Members retiring during the Scheme year may not feel the full impact of the Aegon BlackRock Lifepath Retirement fund's fall in performance.</p>

Policy	Commentary
<p><b>Investment risks – liquidity</b></p> <p>Some investments such as property or shares in private companies are not easy to sell, and therefore it can take some time to get money returned or transferred to another fund. The Trustees have limited this risk by offering funds which are generally more liquid rather than illiquid.</p>	<p>The Trustees met with BlackRock in November to discuss these issues and the steps being taken to address Aegon BlackRock LifePath’s short-term performance. BlackRock highlighted the extreme moves in interest rates, currencies and the value of UK assets had impacted returns. A number of research themes were discussed, and it was agreed changes will be implemented before the end of the 2023-24 Scheme Year. While the year’s market conditions were considered, these changes were part of a wider review of the strategy.</p> <p>The Trustees make funds available which invest in generally liquid underlying investments which means they can be sold quickly.</p> <p>The Trustees make funds available which primarily invest in passive funds tracking their respective index, with weighting bias in large liquid stocks.</p> <p>The risks associated with one fund – Aegon Property – with exposure to potentially illiquid commercial property assets are clearly communicated to Members with specific communication plans for options in the case of fund suspension.</p> <p>In the review of the Core Fund Range the Trustees have examined the property fund and other potential illiquid asset classes to ensure they are suited to the Members and have looked for a property fund structure that that has more mitigation of liquidity risk in its strategy. The Aegon Property fund will be replaced as part of the implementation of the new AMT Fund Range.</p>

Policy	Commentary
<p><b>Investment risks – diversification</b></p> <p>Keeping all your eggs in one basket or holding a limited number of different investments increases the risk of losing money if one particular investment underperforms. So funds holding a greater number of different shares or types of investments help to increase diversification and therefore reduce risk. The Trustees have designed the fund range to provide appropriate levels of diversification in each of the fund options.</p> <p><b>Investment risks – volatility</b></p> <p>The performance of the funds will at different points go up and will also go down; we call this volatility. Those funds which have a chance of earning more money for Members over the longer term are likely to see greater volatility over short periods.</p> <p>The Trustees have provided a range of carefully considered choices which balance the needs of investment growth and risk. The LifePath target date funds available in the Scheme and a number of other funds are designed to mitigate this risk through diversification across a wide range of asset classes.</p>	<p>Quarterly investment reports begin with macroeconomic summary covering geopolitical and market issues. In the Scheme Year this has included assessment of the economic impact from Russia's invasion of Ukraine and subsequent market volatility.</p> <p>All default fund options are well diversified across asset classes, geographies, and industry sectors.</p> <p>The Core Fund Range review has challenged 'home bias' of any UK centric fund choice to ensure a global approach to the investment options.</p> <p>In review of the Core Fund Range, Trustees have examined the options for other asset classes to be added to the range and have taken advice from Isio, working with Aegon on potential asset classes. The opportunity for diversification has been balanced against the desire for simplicity and clarity in designing the new AMT Fund Range, and ability to deliver ESG integration.</p> <p>The default funds each diversify the asset mix as Members approach retirement. This seeks to mitigate the risk of capital loss when Members lack the time to recover their losses through future investment growth. However, the Trustees also accept that risk is a necessary condition to achieve attractive long-term returns. Hence higher investment risk is taken when Members are further from retirement.</p> <p>When reviewing the Core Fund Range, performance was a key consideration, and each fund was assessed by Isio to ensure there were no concerns with funds being retained or added to the range. It was also agreed that the new AMT Fund Range would be white labelled, giving the Trustees flexibility to quickly replace a fund should there be performance or other concerns with the underlying strategy.</p>

Policy	Commentary
<p><b>Investment risks – asset manager</b></p> <p>Selecting a fund from an asset manager who could make poor investment decisions which then impacts Members is a considerable risk. For the Scheme's main investment choices, the Trustees have decided to include funds which significantly reduce this risk by limiting the way in which the asset manager invests Members' savings. These are typically referred to as 'index-tracking funds' or 'passive' investments.</p> <p>An index-tracking fund will generally aim to replicate the performance of the applicable market index by having the same proportion of shares, bonds or other assets as the index it is aiming to track. Such a strategy relies less on manager skill to achieve the return benchmark and so is less dependent on asset manager discretion.</p> <p>There is no guarantee that any fund within the default or core fund range will achieve its long-term objective. The Trustees monitor the funds and asset managers to seek to minimise this risk.</p> <p><b>Investment risks – currency</b></p> <p>Funds held by Members may invest in assets denominated in a foreign currency and are exposed to exchange rate fluctuations that could adversely impact the value of those assets. Where appropriate, the underlying manager may choose to reduce this risk by hedging back a proportion of the exposure to sterling.</p>	<p>The Trustees select default funds which use passive vehicles and a 'firm-wide approach' to asset allocation, mitigating individual manager risk.</p> <p>All funds are robustly governed, with investment returns and risk assessed at least quarterly. Aegon presented its governance process to the Investment Sub-Committee who considered the resources, process and reporting.</p> <p>Actions (including the potential closure of a fund) are taken where funds persistently under-perform.</p> <p>BlackRock manages currency risk in the default funds. The growth stage takes an optimised approach to hedging while the equity currency exposure has a higher proportion hedged in stages closer to retirement and is 95% hedged at retirement. Whilst currency hedging had a negative impact on performance in 2022, over the long-term (five years and longer) it has been effective in its risk management.</p> <p>The approach to managing currency risk within the default funds have formed part of BlackRock's research themes within the Scheme year, any changes to the currency approach will be implemented within the following Scheme year.</p> <p>Currency hedging is not a requirement for the Core Fund Range, unless the specific fund hedges its currency exposure.</p>



Policy	Commentary
<p><b>Financially material considerations</b></p> <p>The Trustees have considered how financially material considerations, including Environmental, Social and Governance factors, are taken into account in the selection, retention, realisation, and monitoring of the investment options, considered over the time horizon applicable to Members invested in those funds.</p> <p>As the Scheme invests via pooled funds, the Trustees have delegated responsibility for the selection, retention and realisation of investments to Aegon, within the parameters set by these Investment Principles. The Trustees' approach to managing financially material considerations is reflected in the range of pooled funds available in the Scheme.</p>	<p>Financially material considerations are reported on in the Quarterly MI packs, and the Investment Sub-Committee discuss the implications and underlying trends each quarter. The review of the Core Fund Range and the decisions on the new AMT Fund Range have been informed by discussion and analysis of financially material considerations. Each of these is illustrated throughout this Statement.</p> <p>The activities and other elements described in the Responsible Business beliefs are the minimum level of ESG integration and engagement the Trustees expect from Aegon and the underlying fund managers. The Trustees' policy is to only select new funds that align with these beliefs (unless there is a stated reason why achievement of the criteria is not possible).</p> <p>The Trustees monitor such activities on a periodic basis with a view to engaging with, and via, Aegon in the event any instances are identified where such minimum expected levels of stewardship are not being met. More information on the Trustees' stewardship activities can be found in the 'Sustainability, engagement and stewardship' section.</p> <p>BlackRock integrate ESG considerations into the investment approach. These assumptions are reviewed to understand how climate risk is embedded and to identify what asset-allocation changes may be required to maintain an appropriate level of diversification and risk-return profile for members.</p> <p>As part of on-going training for the Trustees, in September 2022 Aegon provided an overview of the responsible investment landscape and an update on climate risks and opportunities. The Trustees were able to review Member engagement and discuss Aegon's approach to climate stewardship. The Trustees also discussed the development of Aegon's net-zero transition plan, its climate roadmap, as it relates to the Scheme's LifePath funds.</p>

Policy	Commentary
<p><b>Non-financial</b></p> <p>The Trustees do not have an explicit policy for non-financial considerations, but they can take account of such considerations and will also consider any views expressed to them by Members. The Trustees welcome feedback about the fund range and specific investment concerns, although they are not bound to implement those views.</p>	<p>In February 2023, the investment adviser, Isio, provided a review and benchmarking of the Trustees' 2021-22 TCFD report. At the same time, Aegon shared the latest developments around its climate change strategy and approach to responsible investment engagement themes. This included biodiversity related risks and its approach to using expressions of wish to communicate its voting preference to asset managers.</p> <p>The Trustees have used the research with Members to inform the choice of funds and the naming of the new AMT Fund Range.</p> <p>In the event of significant Member interest in a particular theme or investment matter, the Trustees may decide it is appropriate to seek investment advice as to any changes that could be made.</p> <p>The Trustees surveyed members on views related to ESG and considerations on investments, Over half of members have concerns about threats to biodiversity and deforestation and identify Human Rights as the top social topic of interest. The Trustees are considering these customer insights within future updates to the SIP and their stewardship approach.</p>

## Sustainability, engagement and stewardship

### Statement of Investment Principles

The SIP, as at September 2022, sets out the following Responsible Business beliefs, and investment policies.

<b>Risk Management</b>	<p>The Trustees believe that active consideration of ESG issues will lead to improved outcomes for members and better management of risk. The Trustees believe that a broad approach to ESG integration is important, considering all three components of ESG investing. Climate change, in particular, presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.</p>
<b>Investment Approach</b>	<p>ESG issues which are considered to be financially material should be integrated into the overall management of the standard default options.</p> <p>The standard self-select fund range should include specialist funds which invest in line with sustainable and / or responsible investment themes, taking into account member preferences where relevant.</p> <p>The Trustees will only select asset managers that integrate ESG issues within their overall decision making. A key aspect is to ensure that each asset manager has committed to net zero by 2050 or has a definitive plan for setting a net zero target.</p>
<b>Reporting &amp; monitoring</b>	<p>The Trustees will regularly monitor key ESG metrics within the Scheme's investment portfolio, to understand the impact of their investments and to assess progress over time.</p>
<b>Voting &amp; engagement</b>	<p>The Trustees recognise that active engagement with investee companies, including thoughtful voting, is key to driving change. They will therefore monitor the asset managers' voting and stewardship engagement activity to assess improvements over time.</p>
<b>Collaboration</b>	<p>The Trustees expect asset managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. They also expect their chosen asset managers to be signatories to the United Nations Principles for Responsible Investment (UNPRI) and the UK Stewardship Code as minimum, and that they are be able to demonstrate ongoing progress in raising ESG standards.</p>

The activities and other elements described in the Responsible Business beliefs are the minimum level of active ESG integration and engagement the Trustees expect from Aegon and the underlying fund managers. The Trustees' policy is to only select new funds that align with these beliefs (unless there is a stated reason why achievement of the criteria is not possible).

The Trustees monitor such activities on a periodic basis with a view to engaging with, and via, Aegon in the event any instances are identified where such minimum expected levels of stewardship are not being met.

Views on ESG issues are constantly evolving, and the Trustees will work to understand the areas that are most material to Members. The Trustees expect fund managers to regularly review and assess the effectiveness of their own stewardship policy. Where improvements have been made, the Trustees require that these are disclosed.

## Responsible investment asset manager monitoring

The Trustees have implemented their stewardship approach through the selection, monitoring and engagement with fund managers, both directly and through their investment service provider, Aegon.

The Trustees implemented annual manager monitoring on responsible Investment in 2022, to assess managers on five key areas of responsible investment governance, climate, Diversity & Inclusion, voting and engagement and industry advocacy, and to ensure that assets have been managed in alignment with the long-term interests and time horizons of the Scheme. The process involves scoring and ranking asset managers, with scores assigned between 0-3 for each category with 3 indicating best practices. A heatmap of the scores was reviewed by the Trustees and used to set minimum expectations on responsible investment.

The Trustees do not own assets directly so cannot exercise voting rights themselves, rather the Trustees encourage fund managers to be active owners and promote positive behaviours. The Trustees will meet annually with the managers responsible for the default funds to understand their voting practices, and engagement activities, and to review how they align with, and reflect, the Trustees' own investment and stewardship priorities and policies, taking account of climate change and other financially material risks and considerations. The Trustees expect fund managers to be fully transparent with their stewardship responsibilities and report on these at least annually which supports the Trustees in determining the extent to which their policies have been followed throughout the year. In respect of fund managers already appointed, the Trustees require them to have a robust policy on managing conflicts of interest in relation to stewardship in place, which can be disclosed. For any new appointments, the Trustees will take into account any actual or potential conflicts prior to the appointment.

The Trustees found that responsible investment practices vary amongst the asset managers and noted a number of areas where the Scheme's asset managers had room for improvement or did not meet expectations. Twelve asset managers had been reviewed in total, with half scoring within the upper quartile of Aegon's overall insured asset managers, and two managers had not met minimum expectations on one or more of the five relevant responsible investment categories. The Trustees found the biggest developmental areas in responsible investment for the asset managers to be on climate and engagement, with key findings including not all managers engage with companies on a 1.5-2°C pathways in line with the Paris Agreement or demonstrate the propensity to support ESG shareholder resolutions or meaningful climate voting.

Aegon has created an engagement plan with various asset managers to follow up on the asset manager's results, including through next year's monitoring, and to follow up on those who failed to meet minimum expectations. It will continue to monitor progress and performance of the Scheme's asset managers, including through Aegon's annual asset manager monitoring activity to promote better alignment by managers against our responsible investment expectations.

In addition, the Trustees have met with BlackRock, as principal asset manager of the default funds, to further assess how they have acted in line with the Trustees' responsible investment beliefs and policies, including but not limited to ESG integration and engagement and voting activities.

## Monitoring of asset manager voting behaviour

The Trustees do not hold the voting rights on the Scheme's investments or typically engage directly with companies, given our position as an asset owner mostly invested in pooled funds that are managed by multiple asset managers. Instead, the Scheme's asset managers engage with companies and exercise their voting rights on the Trustees' behalf in accordance with their own policies. The Trustees do not use any proxy voting services and they assess the degree to which the Scheme's managers align with their responsible investment expectations, as part of Aegon's asset manager monitoring process outlined above.

Within the Scheme Year the Trustees have monitored voting behaviour with a broad approach to ESG integration, considering all three factors of E, S, and G. The Trustees have reviewed the asset managers' voting records and statistics (detailed further below and within the appendix to this Implementation Statement) and are satisfied asset manager voting behaviour broadly reflects their Responsible Business beliefs and policies on voting.

The Trustees consider a long-term investment time horizon, aligned with the long-term nature of members' pension savings. The annual asset manager monitoring process is a key part of how the Trustees monitor and assess manager's climate credentials, including how they are managing climate risks. Regular discussions with managers ensure the Trustees stay up-to-date and aligned with the managers' approach to climate related risks.

More information on the Trustees' activities in relation to climate-related risks and opportunities, during the Scheme year, can be found in the TCFD report.

The Trustees found opportunities for further development in asset managers' voting behaviour, as noted above, and further, some managers were not able to provide reporting on engagement and voting outcomes (beyond simply reporting on their engagement activities). Following the introduction of Scheme engagement guidelines and principles in November 2022, which outline views on best practice by the asset managers on engagement activities, this is a continued discussion point with asset managers.

## Trustee assessment of BlackRock as principal asset manager

The Trustees receive updates on BlackRock's plans and developments each quarter from Aegon, which is informed by Aegon's own regular conversations with BlackRock.

After a review of scoring of all managers (including BlackRock) as part of the asset manager monitoring in 2022, the Trustees were pleased that following focused engagement with BlackRock on climate and stewardship, BlackRock introduced its own emissions reduction target for the BlackRock LifePath during the Scheme Year. Looking forward, the Trustees will seek to monitor progress and implementation by BlackRock on this closely, while encouraging further progress by BlackRock on climate stewardship more broadly.

The BlackRock team attended the Investment Sub-Committee meeting on 10 November 2022 to provide the annual review of the default fund. Further details on BlackRock are provided further below.

### Manager name: BlackRock

#### Summary

##### Annual review with BlackRock:

Aegon BlackRock LifePath the allocation to investment assets that have been screened for ESG factors has continued to increase over the Scheme Year – from circa 63% of funds at the close of the last Scheme Year to 69% on March 31 2023.

In December 2022, following on from engagement with the Trustees, BlackRock set a formal emissions reduction target across BlackRock LifePath, which is to reduce carbon emission intensity by sales, by 50%, by June 2029 (starting from July 2019). The Trustees see this objective as the first step towards a roadmap to net zero for Aegon BlackRock LifePath Flexi, and the Trustees will continue to work with BlackRock to implement a net zero target.

The Trustees welcome the positive advances in BlackRock's stewardship activity.

<b>Compliance with the Trustees' Responsible Business beliefs</b>	
<p>The Trustees believe that active consideration of ESG factors will lead to improved outcomes for Members and better management of risk.</p> <p>The Trustees wish to take a broad approach to ESG integration, considering all three factors of E, S, and G. Within the Environmental factor, specific focus will be placed on climate related risk.</p>	<p>The Trustees' discussions with BlackRock, and Isio's analysis of BlackRock provided to Trustees demonstrate BlackRock fully align with this belief. There is demonstrable evidence of increased focus and resources to turn this belief into tangible action.</p> <p>BlackRock has provided the Trustees with the themes and areas of focus for its ESG integration, demonstrating broad cover across E, S &amp; G factors. BlackRock set a formal emissions reduction target across BlackRock LifePath. The Trustees see BlackRock as compliant with this belief.</p>
<b>Investment approach</b>	
<p>ESG factors which are considered to be financially material should be integrated into the overall management of the default option, with the aspiration for these to be across all asset classes</p> <p>The Core Fund Range should include specialist funds which invest in line with sustainable and/or responsible investment themes.</p> <p>The Trustees will only select managers that integrate ESG factors within their overall decision making – this applies for the default and the Core Fund Range.</p>	<p>For Aegon BlackRock LifePath the allocation to investment assets that have been screened for ESG factors has continued to increase over the Scheme Year – from circa 63% of funds at the close of the last Scheme Year to 69% on March 31 2023. BlackRock has demonstrated ESG focus across the funds in the range, and fund review has ensured clarity on the depth of ESG factors considered in each fund, categorised by the Investment Association (IA) definitions, analysed by Aegon and Isio, and communicated to Members. The Trustees see BlackRock as compliant with this belief.</p> <p>Extensive work on Core Fund Range review to strengthen the focus on the risks and opportunities arising from climate change and other ESG factors. The changes have been planned in regard to the Trustees' Investment Beliefs, the Trustees Responsible Business beliefs. BlackRock funds have been analysed as part of the Core Fund Range review and selected as and where they align with this belief.</p> <p>There has been extensive analysis of the BlackRock funds for the Core Fund Range review and BlackRock have been selected as they are proven to integrate ESG factors within their overall decision making across all the BlackRock funds used in the revised range.</p>



<p><b>Reporting and monitoring</b></p>	
<p>The Trustees will monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</p>	<p>BlackRock are able to provide the Trustees with detailed proof of key ESG metrics and to demonstrate continued and on-going progress in the assessment of the impact of the investments and the progress towards the targets set. Through the quarterly investment reports and through the meetings with BlackRock the Trustees are satisfied BlackRock meet this belief. The Trustees also have the analysis of Aegon, Isio and the data provided by MSCI to check against the BlackRock provided data and ensure it is both robust and fair.</p>
<p><b>Voting and engagement</b></p>	
<p>The Trustees expect managers to vote in accordance with the Trustees' beliefs, and will monitor the outcomes of managers' voting engagement actions and activity.</p>	<p>BlackRock have provided details of their Stewardship and voting policies in particular, as well as engagement and voting activity within the Scheme year to allow the Trustees to assure BlackRock meet this belief. BlackRock are able to demonstrate to the Trustees they have increased their climate-related engagement and have seen marked progress in investee companies enhancing their climate risk disclosures.</p>
<p><b>Collaboration</b></p>	
<p>The Trustees expect managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. They also expect managers to participate in common codes such as UNPRI and TCFD and be able to demonstrate their on-going progress in raising responsible investment standards.</p>	<p>BlackRock are signatories to UNPRI and TCFD and have amply demonstrated the progress they are making in adopting continually higher responsible investment standards. The Trustees confirm, in their opinion, BlackRock meet the requirements of this belief.</p>

### Further actions identified

- The Trustees, in conjunction with their investment adviser and Aegon, will continue to engage with BlackRock on their delivery plan to meet the 2029 objective, including leveraging stewardship to support emissions reduction in the underlying investee companies, and sector and strategy-specific decarbonisation pathways.
- Align the carbon objectives BlackRock are developing for LifePath with the Trustees' own net-zero targets.
- Add further reporting of key ESG metrics within BlackRock's quarterly reports. For example, emissions data monitoring, forward-looking decarbonisation rates and temperature alignment metrics tied back to specific fund objectives.
- Additional asset classes to have ESG screens, where applicable and cost-effective.

More information on BlackRock's stewardship and voting policies can be found on their [website](#).

### Summary of engagement activity by asset managers

The Trustees monitor the engagement and voting performance across all asset managers against the Trustees' Responsible Business beliefs.

The Trustees expectations for effective engagement by asset managers apply across funds, asset types and geographies, whilst recognising the need for strategies to be adapted for circumstances such as local market considerations. The Trustees expect engagement to impact all investment strategies, across both long and short time-horizons, and whether a fund is actively or passively managed.

The information below is a summary of engagement activity undertaken within the Scheme Year by the asset manager of the standard default funds as well as asset managers of funds in the Core Fund Range.

## Manager name

BlackRock

## Fund and engagement summary

### Aegon BlackRock LifePath

No. Engagement meetings by topic\*:

Environmental: 734 (48%)      Social: 1394 (39%)      Governance: 3294 (91%)

### Aegon BlackRock Market Advantage

No. Engagement meetings by topic\*:

Environmental: 137 (38%)      Social: 126 (35%)      Governance: 344 (97%)

### Aegon BlackRock Diversified Growth

No. Engagement meetings by topic\*:

Environmental: 169 (45%)      Social: 148 (39%)      Governance: 334 (88%)

### Aegon BlackRock 30/70 Currency Hedged Global Equity Index

No. Engagement meetings by topic\*:

Environmental: 1198 (51%)      Social: 972 (41%)      Governance: 2131 (90%)

### Aegon BlackRock UK Equity Index

No. Engagement meetings by topic\*:

Environmental: 1586 (51%)      Social: 1250 (40%)      Governance: 2809 (90%)

### Aegon BlackRock World (ex-UK) Equity Index

No. Engagement meetings by topic\*:

Environmental: 812 (51%)      Social: 714 (45%)      Governance: 145 (91%)

\*Engagements include multiple company meetings during the year with the same company.

Most engagement conversations cover multiple topics

## Engagement example

**Company:** Total Energies SE (Total)

**Approach:** BlackRock Investment Stewardship's (BIS) engagement with Total in 2022 focused on how the company is addressing the material climate risks and opportunities in its business model. At the 2022 annual general meeting (AGM), management proposed an advisory, non-binding shareholder vote on the progress made to date against the company's sustainability and climate transition plan.

BIS supported this proposal in 2022 based on its belief that Total's sustainability and climate transition plan demonstrated clear policies and action plans to manage climate risk and opportunities, and that it provided a well-defined roadmap towards the company's stated climate ambition and targets.

**Outcome and next steps:** Overall, BIS engagement and voting has been carried out in recognition of the company's clearly disclosed climate transition plan to manage climate-related risks and opportunities, and the progress made with the plan, including a new target to reduce methane emissions by 80% from 2020 levels by 2030.

## Manager name

HSBC

## Fund and engagement summary

Aegon HSBC Islamic Global Equity Index, Aegon HSBC Developed World Sustainable Equity Index

The following are firm level statistics reported by HSBC:

Number of companies engaged: 1513

Number of engagements: 2632

Where HSBC have set a clear engagement objective with a respective company, they report the following statistics on their engagement progress:

- Company acknowledged the concern as a serious matter: approximately 75
- Company developed a credible strategy to achieve the engagement objective: approximately 55
- Company implemented a strategy or measure to address the concern: approximately 50

## Engagement example

**Company:** Chevron

**Engagement Objective:** Chevron has an 'aspiration' to achieve net zero in upstream scope 1 and 2 emissions by 2050, but this leaves out approximately 20% of scope 1 and 2 emissions, lagging its peers

**Approach:** HSBC had a one to one, in- person meeting to explain their voting policy and share expectations for improvements in areas of climate change. They expressed concerns about the company's assertion in its reporting that it believes the IEA's Net Zero Emissions scenario is remotely achievable.

**Outcome and next steps:** Chevron appeared to be receptive to some of HSBC comments including the negative perception its position. The company was somewhat defensive on other points, particularly committing to reducing scope 3 emissions, which would require a fundamental change of its business model. HSBC will continue to press for a clearer alignment with the 1.5C scenario.

## Manager name

Baillie Gifford

## Fund and engagement summary

Aegon Ballie Gifford Positive Change

No. Engagement meetings by topic:

Environmental: 26    Social: 30    Governance: 36

## Engagement example

**Company and engagement objective:** In 2021, Umicore SA set ambitious sustainability targets, including becoming net zero by 2035. Baillie Gifford met with the ESG team in June 2022 as an opportunity to follow up on its progress towards it. They also wanted to emphasise their support for minimising Umicore's impact on biodiversity and to understand Umicore's current progress in this area.

**Approach:** Baillie Gifford discussed the array of initiatives that Umicore is considering to achieve its targets, including carbon capture and storage, renewable purchase power agreements and offsetting. Like many companies, Umicore is still working out how best to measure its relationship with biodiversity, but it has risen up its agenda. Previously, Umicore had taken its water footprint as a proxy for biodiversity but is currently considering more advanced ways to consider biodiversity in decision making.

**Outcome and next steps:** Baillie Gifford will continue to monitor and support Umicore's environmental efforts over the next few years. They also plan to have a further call to discuss human rights within Umicore's supply chain, another very important topic, later this year.

## Manager name

Ninety One

## Fund and engagement summary

Aegon Ninety One Global Multi-Asset Sustainable Growth Fund

No. Engagement meetings by topic:

Climate change: 6      Board diversity: 2      Waste reduction: 1      Other: 3

## Engagement example

**Company and engagement goal:** Xinyi Solar is the world's largest producer of solar glass. It is directly exposed to the solar industry, and therefore well placed to benefit from the move away from fossil fuels to generate electricity towards renewable energy, mainly solar. Ninety One's engagement goal in 2022 is monitoring the company's carbon emission targets and board diversity.

**Approach and outcome:** Ninety One met with the company's Chief Financial Officer and Board Secretary and discussed how the company plans to upgrade their carbon emissions reduction target as well as Scope 3 Disclosure. The company have yet to achieve Scope 3 disclosure, citing the biggest obstacle being the long tail of small suppliers and the time taken to set up their system to report on carbon emissions. The company has over 1000 suppliers, many of which are small players. They are currently in the process of educating their suppliers on the topic of carbon data disclosure.

Ninety One also spoke to the company about board gender diversity, and they gave us an update on their recent addition of a female independent director to the company board.

## Manager name

LGIM

## Fund and engagement summary

Aegon LGIM Ethical Global Equity Index

No. Engagement meetings by topic\*:

Environmental: 127      Social: 54      Governance: 135      Other: 20

## Engagement example

Engagement case study not available within the reporting period.

As listed equity is the major asset class Members invest in, the Trustees focus more extensively on this when reviewing manager engagement reporting and associated manager monitoring through Aegon. The Trustees recognize, however, that stewardship practices are fast evolving beyond equities.

## Summary of voting behaviour and most significant votes

In reviewing the exercise of voting rights delegated to asset managers, the Trustees have collected evidence of the voting records and significant votes undertaken on the Trustees' behalf on the Aegon BlackRock LifePath Flexi fund, funds within the Core Fund range and in all Bespoke Notional Sections, to illustrate stewardship in action.

During the Scheme Year, the Trustees delegated the definition of most significant votes to asset managers. The definition of 'most significant votes' varies between different asset managers (as set out below). The Trustees are broadly satisfied that asset manager definitions of most significant votes reflects their own understanding of a significant vote, considering factors such as size of holding, the degree of impact on financial outcomes and thematic stewardship priorities such as climate. The Trustees have selected three example definitions of most significant votes from asset managers, demonstrating coverage across a breadth of responsible investment topics, with a particular focus on climate.

Manager	Definition of most significant vote
BlackRock	Based on themes they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which they invest on behalf of clients.
HSBC	Regard votes against management recommendation as the most significant. With regards to climate, where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, they will generally vote against the re-election of the Chairman. They also generally support shareholder resolutions calling for increased disclosure on climate-related issues.
Ninety One	Votes with significant client, media or political interest, material holdings, those of a thematic nature (i.e., climate change) and significant corporate transactions that have a material impact on future company performance.

In acknowledgement of the DWP Stewardship Guidance and the different definitions that asset managers use to define most significant votes, the Trustees recognise the opportunity to take more ownership of stewardship, including engagement and voting. Therefore, the Trustees have set out their own definition of most significant votes for monitoring future voting behaviour. Going forward, the Trustees will seek to set out their views via 'expression of wish' to key asset managers, in respect of what the Trustees consider to be a selection of the most significant votes in advance of the AGMs. The Trustees will monitor the voting behaviour of asset managers against the Trustees' wishes.



The table below provides a summary of voting activity and examples of significant votes during the Scheme Year, by BlackRock as asset manager of the standard default funds, as well as asset manager of a number of funds in the Core Fund Range. As outlined earlier, the Trustees are satisfied asset manager voting behaviour broadly reflects their Responsible Business beliefs, policies on voting and stewardship priorities. The Trustees have selected the below significant votes as most significant, on the basis they are reflective of the Trustees' voting policy and investment beliefs, and a particular focus on climate. The table includes additional detail on these votes deemed to be significant where possible, subject to data availability from managers.

## Fund: Aegon BlackRock LifePath

### Voting Summary

Resolutions eligible to vote on	100,558		
% resolutions voted on	94.39%	% voted against management	8.09%
% voted with management	86.31%	% voted to abstain	1.29%

### Significant votes

#### Monster Beverage Corporation

Resolution: Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal, June 2022. BlackRock Investment Stewardship (BIS) believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight. BIS believe current disclosures do not provide sufficient detail on plans to reduce Scope 1 and 2 GHG emissions to align the company's business model with likely pathways to a lower carbon economy. The resolution failed and BIS will continue to monitor the company's progress relating to sustainability disclosures.

#### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon BlackRock Market Advantage

### Voting Summary

Resolutions eligible to vote on	25,413		
% resolutions voted on	91%	% voted against management	6%
% voted with management	93%	% voted to abstain	0%

### Significant votes

#### Meta Platforms, Inc.

Resolution: Publish Third Party Human Rights Impact Assessment, May 2022. BIS supported this shareholder proposal because, in their assessment, shareholders would benefit from a third-party assessment of the human rights impacts of Meta's advertising practices given the importance of advertising to the company's ability to generate long-term financial returns. The resolution did not pass.

#### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Social factors. The Trustees have deemed this vote as most significant as it aligns to their stewardship priority of Human Rights.

## Fund: Aegon BlackRock Diversified Growth

### Voting Summary

Resolutions eligible to vote on	11,708		
% resolutions voted on	92%	% voted against management	5%
% voted with management	94%	% voted to abstain	1%

### Significant votes

#### Home Depot, Inc

Resolution: Report on Efforts to Eliminate Deforestation in Supply Chain, May 2022. BIS supported this shareholder proposal because given the growing pressures on natural ecosystems on which Home Depot products depend and from which the company derives economic benefits, they believe that the company will increasingly face financial risks associated with any negative impacts on forests. Conversely, there could be material business opportunities in taking a more expansive approach. The proposal passed with 65% support.

#### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon BlackRock 30/70 Currency Hedged Global Equity Index

### Voting Summary

Resolutions eligible to vote on	59,844		
% resolutions voted on	97%	% voted against management	8%
% voted with management	91%	% voted to abstain	2%

### Significant votes

#### Rio Tinto Group

Resolution: Approve Climate Action Plan, May 2022. BIS voted in support of this management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan. The group's climate action plan, targets, and disclosures are consistent with what they look for and, in their assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BIS determined that it is in the best interests of their clients as long-term shareholders to support the proposal to approve the Climate Action Plan. The proposal passed.

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon BlackRock UK Equity Index

### Voting Summary

Resolutions eligible to vote on	10,135		
% resolutions voted on	99%	% voted against management	3%
% voted with management	96%	% voted to abstain	0%

### Significant votes

#### Barclays

Resolution: Approve Barclays' Climate Strategy, Targets and Progress, May 2022. BIS supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan, and the resolution passed. BIS do, however, believe there are areas where the company could enhance its disclosure and will continue to engage with Barclays to monitor progress against the commitments made in the Climate Strategy, Targets and Progress report.

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon BlackRock World (ex-UK) Equity Index

### Voting Summary

Resolutions eligible to vote on	25,196		
% resolutions voted on	95%	% voted against management	6%
% voted with management	93%	% voted to abstain	0%

### Significant votes

#### Alphabet Inc

Resolution: Report on Metrics and Efforts to Reduce Water Related Risk, June 2022. BIS supported this shareholder proposal as they note the company does not explicitly disclose annual water use or other risk metrics by location; therefore, it is difficult for stakeholders to determine the company's regional approach, localized water stress trends and risks, as well as possible progress year on year. Though the proposal did not pass, BIS believe it is in the best economic interests of clients for Alphabet to enhance their disclosure on this material long-term business risk.

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon BlackRock Emerging Markets Equity Index

### Voting Summary

Resolutions eligible to vote on	24,234		
% resolutions voted on	98.36%	% voted against management	11.45%
% voted with management	86.92%	% voted to abstain	3.51%

### Significant votes

#### Grupo México

Resolution: Annual election of Board Members, April 22. BIS did not support the director bundled ballot election, as the company has not updated their sustainability related reporting, in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report.”, nor addressed shareholder concerns, including BlackRock’s, regarding the quality and effectiveness of their Board of Directors. BIS will continue to engage to share their concerns and to encourage the company to clearly articulate how the board oversees executive leadership’s approach to material risks and opportunities.

#### Trustee assessment

This vote is in line with the Trustees’ investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees’ stewardship priority of climate.

## Fund: Aegon HSBC Islamic Global Equity Index

### Voting Summary

Resolutions eligible to vote on	1423		
% resolutions voted on	97%	% voted against management	19.8%
% voted with management	80.2%	% voted to abstain	0%

### Significant votes

#### Apple Inc

Resolution: Elect Director Sue Wagner, March 2023. HSBC voted against this proposal as they had concerns about insufficient diversity of the board. The resolution passed and HSBC is likely vote against a similar proposal should they see insufficient improvements. HSBC assessed this as a significant vote due to the company having a significant weight in the portfolio, and that they voted against management.

#### Trustee assessment

This vote is In line with the Trustees’ investment beliefs and policies as it considers Social factors. The Trustees have deemed this vote as most significant as it aligns to the Trustees’ stewardship priority of Diversity and Inclusion of a company board.

## Fund: Aegon HSBC Developed World Sustainable Equity Index

### Voting Summary

Resolutions eligible to vote on	13,602		
% resolutions voted on	93.8%	% voted against management	14%
% voted with management	86%	% voted to abstain	0.1%

### Significant votes

#### Costco

Resolution: Elect Director Jeffrey S. Raikes, January 2023. HSBC voted in line with their voting policy to vote against the incumbent Chair of a formally established nomination committee, if the threshold for women on the board is not met. In the case of Costco the threshold is 40%. Though the resolution passed, HSBC will likely vote against such a proposal should there be no improvements. HSBC assessed this vote to be significant as the company has a significant weight in the portfolio and that they voted against management.

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Social factors. The Trustees have deemed this vote as most significant as it aligns to the Trustees' stewardship priority of Diversity and Inclusion of a company board.

## Fund: Aegon LGIM Ethical Global Equity Index

### Voting Summary

Resolutions eligible to vote on	16,602		
% resolutions voted on	99.83%	% voted against management	17.79%
% voted with management	81.99%	% voted to abstain	0.22%

### Significant votes

#### Alphabet Inc

Resolution: Report on Physical Risks of Climate Change, June 2022. LGIM supported this resolution as they expect companies to be taking sufficient action on the key issue of climate change. The resolution gained 17.7% support and LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor the company and market-level progress. LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon Baillie Gifford Positive Change

### Voting Summary

Resolutions eligible to vote on	357		
% resolutions voted on	100%	% voted against management	2.24%
% voted with management	97.48%	% voted to abstain	0.28%

### Significant votes

#### Tesla Inc

Resolution: Report on how the company's corporate lobbying is aligned with the Paris Climate Agreement, August 2022. Baillie Gifford opposed the resolution as they believe additional disclosures would be a burdensome with no real benefit to shareholders. They are not aware of any concerns that Tesla are executing their strategy in contravention of the Paris Agreement and continue to trust management. The resolution is significant because it was submitted by shareholders and received greater than 20% support.

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.

## Fund: Aegon Ninety One Global Multi-Asset Sustainable Growth Fund

### Voting Summary

Resolutions eligible to vote on	974		
% resolutions voted on	100%	% voted against management	7.48%
% voted with management	92.51%	% voted to abstain	0.41%

### Significant votes

#### KLA corporation

Resolution: Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal, November 2022. Ninety One supported this resolution as they view additional information on the company's efforts to reduce its carbon footprint would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks. Ninety One deemed this as a significant vote due to its thematic nature (i.e. climate change).

### Trustee assessment

This vote is in line with the Trustees' investment beliefs and policies as it considers Environmental factors. The Trustees have deemed this vote as most significant as it concerns climate related risk and is aligned to the Trustees' stewardship priority of climate.



## **Broader considerations related to stewardship**

### **Member engagement**

The Trustees recognise the importance of taking into account employer and beneficiary needs in informing their stewardship of Members' pension savings. During the Scheme Year, the Trustees conducted a total of three customer-panel surveys, which gave Members an opportunity to share their views on responsible investment factors. The results of these surveys are being considered in the development of the Trustees' investment strategy and stewardship approach.

### **Industry advocacy**

The Trustees recognise the importance of industry advocacy, including collaborative engagement and policy lobbying, in helping to address systemic risks and promoting a well-functioning financial system. In 2022 the Trustees were supportive of aligning with Aegon's industry advocacy activities. Through Aegon, the Trustees are supporting progress on sustainability and stewardship through industry initiatives like the Institutional Investors Group on Climate Change and the Net Zero Asset Owner Alliance, as well as the DWP's Taskforce on Social factors. Aegon has been an active participant in this DWP Taskforce since its inception in 2022, which has the aim of providing guidance for pension schemes and trustees to support common understanding of social risks and opportunities that can be applied by pension scheme trustees, industry and policymakers

## Appendix to Implementation Statement

### Voting record for all funds, where asset manager was eligible to vote.

The table below provides voting records on equity and multi-asset funds only. There is no voting data produced for cash, fixed income or property funds as these funds are not eligible to vote.

Fund	Voteable Proposals	Proposals Voted %	With Mgmt %	Against Mgmt %	Abstain %
<b>Core default fund</b>					
Aegon BlackRock LifePath	100,558	94.39%	86.31%	8.09%	1.29%
<b>Core fund range</b>					
Aegon BlackRock Market Advantage	25,413	91%	93%	6%	0%
Aegon BlackRock Diversified Growth	11,708	92%	94%	5%	1%
Aegon BlackRock 30/70 Currency Hedged Global Equity Index	59,844	97%	91%	8%	2%
Aegon BlackRock Emerging Markets Equity Index	24,234	98.36%	86.92%	11.45%	3.51%
Aegon HSBC Islamic Global Equity Index	1423	97%	80.2%	19.8%	0%
Aegon BlackRock UK Equity Index	10,135	99%	96%	3%	0%
Aegon BlackRock World (ex-UK) Equity Index	25,196	95%	93%	6%	0%
Aegon LGIM Ethical Global Equity Index	16,602	99.83%	81.99%	17.79%	0.22%
Aegon Ballie Gifford Positive Change	357	100%	97.48%	2.24%	0.28%
Aegon HSBC Developed World Sustainable Equity Index	13,602	93.8%	86%	14%	0.1%
Aegon Ninety-One Global Multi-Asset Sustainable Growth	974	100%	92.51%	7.48%	0.41%
<b>Funds offered in advised notional sections *</b>					
Aegon BlackRock UK Growth	2275	100%	96.66%	2.33%	1.05%
Aegon BlackRock Pacific Growth	555	100%	92.61%	7.21%	0.18%
Aegon BlackRock Alpha Smaller Companies	1391	100%	95.76%	2.88%	1.37%
Aegon BlackRock UK Equity	796	100%	97.61%	1.76%	0.63%
Aegon BlackRock Diversified Growth	11708	92.22%	84.10%	6.29%	1.24%
Aegon BlackRock Balanced Growth	5885	96.16%	89.19%	5.37%	1.44%
Aegon BlackRock US Equity Index	7224	99.18%	90.09%	7.48%	0.01%
Aegon BlackRock European Equity Index	8862	86.87%	75.12%	10.54%	1.21%
Aegon BlackRock Japanese Equity Index	5974	100%	96.45%	3.55%	0%
Aegon BlackRock Pacific Rim Equity	3317	100%	86.89%	13.08%	0.03%
Aegon BlackRock 50/50 Global Growth	5878	96.16%	89.18%	5.38%	1.45%

Please bear in mind that the value of investments may go down as well as up and the final value of a member's pension pot may be less than has been paid in. There's no guarantee funds will meet their objectives. Funds investing in a single asset class, for example UK equities, should only be used as part of a diversified portfolio. Any charts are for illustrative purposes only, and we reserve the right to change funds' asset allocations and charges. You should get financial advice if you're not sure whether an investment or product is right for you.

Fund	Voteable Proposals	Proposals Voted %	With Mgmt %	Against Mgmt %	Abstain %
Aegon BlackRock 50/50 Global Equity Index	34376	96.59%	88.87%	6.98%	0.44%
Aegon BlackRock ACS World ESG Equity Tracker	5653	95.81%	87.51%	6.83%	0.74%
Aegon BlackRock UK Special Situations	1388	100%	98.20%	1.22%	0.58%
Aegon BlackRock 40/60 Global Equity Index	Blend of funds: Aegon BlackRock UK Equity Index (BLK) & Aegon BlackRock World (ex-UK) Equity Index (BLK)				
Aegon BlackRock MSCI Currency Hedged World Index	14075	88.26%	81.09%	6.29%	0.75%
Aegon BlackRock Diversified Growth Plus	Blend of funds: Aegon BlackRock Diversified Growth (BLK); Aegon BlackRock Globalisation (BLK) and Aegon BlackRock UK Focus (BLK)				
Aegon BlackRock Cautious Diversified Growth	Blend of funds: Aegon BlackRock Diversified Growth and ICS Institutional Sterling Ultra Short Bond				
Aegon BlackRock 70/30 Global Equity Index	Blend of funds: Aegon BlackRock UK Equity Index and BlackRock Aquila Connect Overseas Consensus Equity				
Turner & Townsend Active Global Equity	5878	96.16%	89.18%	5.38%	1.45%
Turner & Townsend Passive Global Equity	Blend of funds: Aegon BlackRock UK Equity Index (BLK) & Aegon BlackRock World (ex-UK) Equity Index (BLK)				
Turner & Townsend Balanced	Aegon BlackRock Consensus Index				
Aegon AM Ethical Equity	1186	99.92%	98.14%	1.61%	0.25%
Aegon BNY Mellon Real Return	1287	100%	89.2%	10.8%	0%
Aegon LGIM Ethical UK Equity Index	4479	100%	94.15%	5.85%	0%
Aegon LGIM Global Equity (60:40) Index	41099	99.84%	81.85%	18.02%	0.13%
Aegon LGIM North America Equity Index	8543	99.41%	65.40%	34.55%	0.06%
Aegon LGIM Europe (ex UK) Index	10391	99.93%	80.99%	18.53%	0.48%
SG Diversified Growth	Blend of funds: Aegon LGIM Diversified & Aegon BlackRock Diversified Growth				
SG Passive Global Equity	Blend of funds: Aegon BlackRock World (ex-UK) Equity Index; Aegon BlackRock MSCI Currency Hedged World Index; Aegon BlackRock UK Equity Index; Aegon BlackRock Emerging Markets Equity Index				
SG Active Global Equity	1,348	100%	94.21%	5.04%	0.07%
Aegon Standard Life Global Absolute Return Strategies	283	81.98%	82.33%	17.67%	0%
Aegon Invesco Pensions Managed	N/A				

\* Fund choice for each advised (bespoke) notional section listed within SIP

## Voting record for funds in blends, not a part of the fund offer

Aegon LGIM Diversified	99252	99.82%	77.36%	21.94%	0.70%	
Aquila Connect Overseas Consensus Equity	50,835	94%	90%	9%	2%	
Aegon BlackRock Globalisation	484	92.15%	84.71%	6.82%	0.21%	
Aegon BlackRock UK Focus	426	100%	98.12%	1.64%	0.23%	
Aegon BlackRock Consensus Index	ACS Continental European Equity Tracker	8862	86.87%	75.12%	10.54%	1.21%
	ACS Japan Equity Tracker	5974	100%	96.45%	3.55%	0%
	ACS UK Equity Tracker	10,135	99%	96%	3%	0%
	ACS US Equity Tracker	7224	99.18%	90.09%	7.48%	0.01%
	Aquila Connect Pac Rim Equity	3317	100%	86.89%	13.08%	0.03%
	Aquila Life Canadian Equity Index	735	100%	91.84%	7.48%	0%
	iShares Emerging Markets Index	25,350	98%	88%	11%	3%
	iShares Environment & Low Carbon Tilt Real Estate Index Fund	388	62%	91%	8%	1%

# Appendix 5

## The Aegon Master Trust's Climate-Related Financial Disclosure 2022-23

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# Glossary

**Biodiversity:** Diversity within species, between species and of ecosystems.

**Carbon sequestration:** A natural or artificial process by which carbon dioxide is removed from the atmosphere.

**Climate Value-at-Risk:** CVaR is a forward-looking and return-based valuation assessment, used to measure the potential financial impacts of climate risks and opportunities on our portfolio under different transition scenarios.

**Default fund:** A type of lifestyle fund that members of a pension scheme are automatically invested in, if they don't choose to select their fund(s) when they join the scheme.

**Engagement:** Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or systemic risk such as climate change. Regular communication to gain information as part of ongoing research should not be counted as engagement.

**Environmental, social and governance (ESG) screens:** ESG screens exclude investments based on set criteria such as exposure to weapons, tobacco, UN Global Compact violators, thermal coal, oil sands or gambling.

**Environmental, social and governance tilts:** ESG tilts favour investments in companies with high ESG scores and reduce exposure to companies with low ESG scores. ESG tilts may reduce the carbon footprint of a portfolio by decreasing exposure to carbon-intensive companies and favouring carbon-efficient or low-carbon assets.

**Fiduciary duty:** How we take care of our Members' money by considering all long-term investment value drivers in the investment decision-making process, including environmental, social and governance (ESG) factors.

**Just transition:** 'Greening' the economy in a way that's as fair and inclusive as possible to everyone, creating decent work opportunities and leaving no one behind.

**Net-zero portfolio:** A portfolio that doesn't generate any GHG emissions, aligned with the goals of the Paris Agreement of keeping global temperature to well below 2°C and preferably 1.5°C

**Pathways:** A set of emissions and technology-reduction trajectories that can be used to evaluate progress and targets of investments against the goal of global net-zero emissions.

**Physical risks:** Financial losses resulting from more frequent or severe weather events that damage physical assets like infrastructure, buildings and supply chains.

**Pooled fund:** Funds in a portfolio from many individual investors that are aggregated for the purposes of investment.

**Popular arrangement:** A popular arrangement means one in which £100 million or more of a scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. Our popular arrangement is Aegon BlackRock LifePath Flexi.

**Real economy:** The production and flow of goods and services in the economy from all non-financial firms.

**Scope 1 and 2 greenhouse-gas (GHG) emissions:** Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting company.

**Scope 3 GHG emissions:** All other indirect GHG emissions, not included in scope 2, that occur in the value chain of the reporting company. Scope 3 emissions are typically more material than scope 1 and 2 for investments.

**Stewardship:** The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

**Transition risks:** Political, legal, technological, market-related and reputational risks coming from the low-carbon transition.



# Foreward from Ian Pittaway, Chairman of the Aegon Master Trust Board

It is a pleasure to introduce the second Aegon Master Trust (the 'Scheme') climate-related financial disclosure, our Task Force on Climate-Related Financial Disclosures report, covering the period 1 April 2022 – 31 March 2023 (the 'Scheme Year'). This TCFD report outlines the progress the Trustees of the Scheme (referred to as the 'Trustees', 'Trustee Board', 'we' or 'us' within this report), are making towards better climate management and our net-zero targets. For us it is a time of reflection on what we have achieved in the Scheme Year, from updating our responsible investment beliefs on climate, to engaging with our asset managers on our net-zero expectations and influencing our main asset manager into adopting their decarbonisation target. In addition, I am proud that we have undertaken a thorough review of our Scheme self-select fund range. This will provide more investment options to members of the Scheme (referred to as 'Members' within this report) who wish to have more of a focus on sustainability or environmental, social and governance (ESG) factors.

Whilst we have made significant progress on identification and management of climate risks and opportunities in the last year, international policy has reminded us that climate change is already here with widespread repercussions for economies and the world at large. The United Nations Climate Change Conference (COP27) held in Sharm el-Sheikh in 2022 concluded with a historic decision to establish and operationalise a loss and damage fund to provide financial assistance to countries most affected by climate change. This acknowledges a long-time request from developing countries. The decision is a step towards climate justice but United Nations Secretary-General António Guterres reiterated

that more needs to be done to drastically reduce emissions now by saying that "the world still needs a giant leap on climate ambition". Following COP27, the United Nations Biodiversity Conference (COP15), held in Montreal, ended with a landmark agreement to protect 30% of the world's land and ocean by 2030. We welcomed the attention brought to that issue, as we consider biodiversity as a key topic under our climate change engagement theme.

The Scheme is seeking to align with the international scientific consensus by aiming to reduce greenhouse gas emissions for our largest default arrangement, Aegon BlackRock LifePath Flexi, by 50% by 2030 against a 2019 baseline, and for it to reach net-zero emissions by 2050. We, the Trustees, want to help Members make informed decisions about their pension investments and ensure that the Scheme default arrangement which most Members are invested in is aligning to net zero. This TCFD report gives our Members more information on how we manage their investments in the context of climate change. Whilst we place a major emphasis on managing climate-related risks, we are also seeking out opportunities for our Members to benefit from the transition to a low-carbon economy.

As an asset owner managing a highly diversified and long-term portfolio, we believe it is in our Members' interests that the wider economy, and not only our portfolio, decarbonises. Consequently, we work collaboratively with the industry to ensure progress is made in that direction. We also welcome further regulatory scrutiny to ensure net-zero alignment and better climate-related disclosures from master trusts. I hope this report gives a good sense of where the Scheme is on its decarbonisation journey.

# Executive summary

This TCFD report explains how we addressed climate-related risks and opportunities during the Scheme Year. It is based on the requirements in the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the related DWP Guidance on Governance and Reporting of Climate Change Risk ('Statutory Guidance')<sup>2</sup>.

Climate change represents an existential threat<sup>3</sup> and has already been disrupting financial markets<sup>4</sup> and traditional systems of governance, with real-life impacts for our Members<sup>5</sup>. 2022 was a record-breaking year in the UK weather-wise, with heat waves and prolonged drought<sup>6</sup>. The Scheme offers a range of funds to help Members save for retirement, which are suitable for those of different ages, different risk attitudes and different retirement benefit plans. As the Trustees, we consider it our fiduciary duty to embed climate stewardship in the investments we make available to our Members. In doing so, we aim to be able to proactively address climate-related financial risks, as well as contribute to the transition to a low-carbon economy and net-zero world.

In order to limit global warming to 1.5°C by the end of the century, as outlined in the Paris Agreement, economies must reach net zero CO<sub>2</sub> emissions by 2050<sup>7</sup>. For a pension scheme, this will require the decarbonisation of investment portfolios over this time horizon or sooner, which has previously informed our decision to set a 2050 net-zero target for our main default arrangement. Looking after the future financial wellbeing of our Members

also means protecting the world they will live in when they access their pension savings. Pension asset owners are uniquely placed to support a systemic climate transition in the real economy, by addressing climate issues with asset managers and prioritising net zero goals. The existing integration of ESG factors into the Scheme's investments provides a foundation for structuring additional climate resilience into our portfolio. We are now in the process of building our Scheme's governance, investment strategy and management systems around climate risk and opportunities.

We have begun this journey by committing our main Scheme default arrangement, Aegon BlackRock LifePath Flexi, to net-zero greenhouse gas emissions by 2050 and to halve its carbon footprint by 2030, against 2019 levels. Our climate-related disclosure report provides an overview of the governance, strategy, risk management, metrics and targets employed to inform and continue to develop the Scheme's response to climate change. We are encouraged by the progress we have made during the Scheme Year, introducing new responsible investment beliefs, setting new climate expectations for our asset managers and enhancing our voting and engagement approach. We are working towards our medium-term 2030 target: we are particularly proud of having successfully increased the alignment with BlackRock, by advocating for BlackRock to formalise its own emissions' reduction target for BlackRock LifePath. The main climate-related achievements for the Scheme Year are listed below.

2. Department for Work and Pensions, [Statutory guidance: Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)
3. António Guterres, Secretary-General of the United Nations speaking at the Austrian World Summit (May 2018), [Climate change: An 'existential threat' to humanity, UN chief warns global summit | UN News](#)
4. European Central Bank, Occasional Paper Series: Climate change and monetary policy in the euro area (September 2021) pp 29-31, [Climate change and monetary policy in the euro area](#)
5. Department for Environment, Food and Rural Affairs (January 2022), [UK Climate Change Risk Assessment](#)
6. Met Office Press Office (February 2023), [Working for climate resilience within the UK water sector](#)
7. Intergovernmental Panel on Climate Change (2023), [Synthesis Report of the Sixth Assessment Report](#)

Please bear in mind that the value of investments may go down as well as up and the final value of a member's pension pot may be less than has been paid in. There's no guarantee funds will meet their objectives. Funds investing in a single asset class, for example UK equities, should only be used as part of a diversified portfolio. Any charts are for illustrative purposes only, and we reserve the right to change funds' asset allocations and charges. You should get financial advice if you're not sure whether an investment or product is right for you.



## Governance

- We reviewed our ESG beliefs which we now call responsible investment beliefs. They now include specific references to the low-carbon transition, net zero and how we view key drivers of change, such as voting and engagement, and industry collaboration.
- We undertook training on climate-related risks and Scheme positioning, including benchmarking of our previous TCFD report, and risks and opportunities related to biodiversity and fossil fuels.

## Strategy

- We updated our climate scenario analysis and mapping of climate risks and opportunities under different time horizons, aligned with the long-term nature of our Members' pension savings.
- We agreed a new voting and engagement approach with our asset managers. This highlights climate as a priority engagement theme, setting engagement principles for asset managers and outlining an 'expressions of wish' approach to voting.
- We increased the range of funds with ESG considerations available to our Members.

## Risk management

- We evaluated all our asset managers' climate credentials and set out minimum climate expectations.
- We updated our Scheme's Risk Register to split out climate change and greenwashing risks and reviewed associated risk ratings.

## Metrics and targets

- We worked with our main asset manager, BlackRock, to adopt a 50% carbon emissions' reduction target by 2029 for BlackRock LifePath against a 2019 baseline.<sup>8</sup>
- We reported on our investments' scope 3 emissions and a new portfolio alignment metric, implied temperature rise, in line with new regulatory requirements.

8. See case study in the metrics and targets section for details on this new BlackRock LifePath target.



# Introduction

## The Scheme and climate change

The Scheme is an open defined contribution pension scheme with more than 171,000 Members and £3.87bn in assets under management as of 31 March 2023. This TCFD report marks the second year in which the Scheme has been required to disclose its action and approach to assessing and managing the risks and opportunities associated with climate change. As a pension scheme, the Scheme invests over the long-term for its Members and is thus exposed to systemic risks such as climate change.

We believe the full scale of financial risks from climate change will manifest in the long-term, but the repercussions on how climate investments are assessed and managed start today. We, the Trustees, and the wider financial services industry have a critical role to play in helping deliver the targets set out under the Paris Agreement. We can do so by:

- identifying and mitigating climate risks within the Scheme's investment portfolio,
- capitalising on financial opportunities that the transition to a lower carbon economy brings, and
- giving more choice to Members who wish to be invested in climate-thematic funds.

This is essential to support an 'orderly' and 'just transition' to a low-carbon economy, with the least negative financial impacts for Members. We seek to drive proactive engagement on key climate topics, directly with our asset managers through asset manager oversight and their own active engagement with the companies in which they invest and through collaborative industry and policy engagement, with Aegon UK representing us, the Trustees. The data analysis we provide in this report gives Members an overview of how we assess climate risks. This guides our climate strategy, which is focused on the achievement of our net-zero target.



## Description of the Scheme's investment arrangements

The Scheme's investment portfolio comprises standard default arrangements and bespoke options, as well as a range of 'self-select' funds (the 'Core Fund Range'). We provide default investment funds for Members who do not wish to select where to invest their pension savings. The self-select fund range is available to Members who wish to make an

investment choice. In line with the DWP Statutory Guidance, we will provide scenario analysis and metrics for each "popular arrangement" offered by the Scheme. The Scheme has one popular arrangement only: Aegon BlackRock LifePath Flexi.

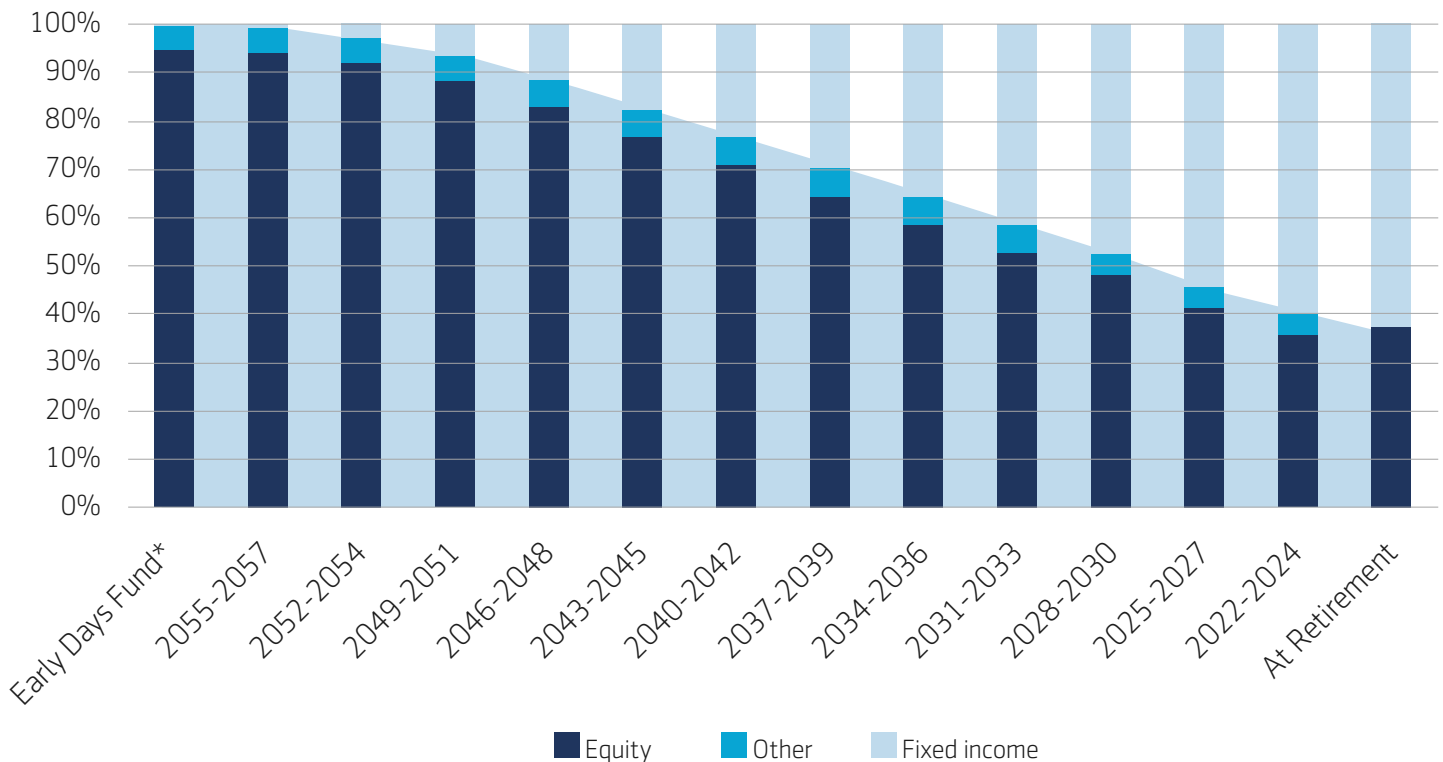
### The main Scheme default arrangement: Aegon BlackRock LifePath Flexi

Approximately 82% of all Members within the Scheme are invested in this default arrangement, representing 86% of the Scheme's assets as of 31 March 2023. The asset allocation of our main default arrangement varies depending on how far away a particular Member is from retirement. Earlier on in a Member's working life, the fund's strategy is weighted towards riskier assets like equities (stocks

and shares). Leading up to the target retirement date, the fund's strategy moves to a more cautious asset mix, which is expected to be more stable for generating income from the Member's pension when they retire. This process is termed 'lifestyling', and is demonstrated in Figure 1.

**Figure 1: Aegon BlackRock LifePath Flexi asset allocation of funds over a Member's working life. Fund years represent the fund a Member will currently be invested in, reflective of the year in which a Member is expected to retire.**

\*Early Days fund asset allocation remains the same for all Members retiring after 2057.





## Alternative Scheme default arrangements

8% of Members in the Scheme are invested in alternative Scheme default arrangements, representing 4% of the Scheme's assets<sup>9</sup>:

- **Aegon BlackRock LifePath Retirement:** Designed for Members planning to buy an annuity at their target retirement date
- **Aegon BlackRock LifePath Capital:** Designed for Members planning to take their savings as a one-off cash lump sum
- **Aegon BlackRock Cash:** In which Members may be temporarily invested should another fund be closed / suspended due to new monies and withdrawals.

The alternative default arrangements have different climate risk factors in their underlying fund structures. However, the underlying asset manager, BlackRock, has an extensive stewardship team and adopts a consistent and robust approach to engagement across their investment estate.

## Self-select fund range

### The Core Fund Range

During the Scheme Year, Members had the possibility to select funds within our range of seventeen self-select funds, our 'Core Fund Range'. Around 7% of Scheme Members were invested in the Core Fund Range, representing 8% of the Scheme's assets<sup>10</sup>.

Our Core Fund Range consisted of the below funds, in addition to the three default options:

- Aegon BlackRock 30/70 Currency Hedged Global Equity Index
- Aegon BlackRock Corporate Bond
- Aegon BlackRock Diversified Growth
- Aegon BlackRock Emerging Markets Equity Index
- Aegon BlackRock Market Advantage
- Aegon BlackRock Over 15 Years Gilt Index
- Aegon BlackRock Over 5 Years Index-Linked Gilt Index
- Aegon BlackRock Cash
- Aegon BlackRock Pre-Retirement
- Aegon BlackRock UK Equity Index
- Aegon BlackRock World (ex-UK) Equity Index
- Aegon HSBC Islamic Global Equity Index
- Aegon LGIM Ethical Global Equity Index
- Aegon Property
- Baillie Gifford Positive Change
- HSBC Developed World Sustainable Equity Index
- Ninety One Global Multi-Asset Sustainable Growth Fund

9. Figure based on Aegon UK asset allocation data as of 31 March 2023.

10. Figure based on Aegon UK asset allocation data as of 31 March 2023.

The Trustees have reviewed the range of self-select funds available and agreed on making a new range of self-select funds available to Members during the next Scheme Year.

### **The AMT Fund Range**

During the Scheme Year, we undertook a review of the Core Fund Range, as detailed in the strategy section of this report. The selection of self-select funds available to Members has been updated and the new range (known as the 'AMT Fund Range') will be released to Members during the 2023-24 Scheme Year. The Scheme will then offer twenty-five self-select funds, outlined below, in addition to the three Aegon BlackRock LifePath default arrangements (and any bespoke self-select and default funds):

#### **Funds with a specific focus on sustainability built into their objective or investment process:**

- Aegon Global Climate Focus Equity
- Aegon Global Short Term Sustainable Bond
- Aegon Global Sustainable Equity
- Aegon Global Sustainable Government Bond
- Aegon Global Sustainable Multi-Asset Balanced
- Aegon Global Sustainable Multi-Asset Growth

**Funds which integrate ESG exclusions:** This means that in line with certain thresholds, they will not invest in certain companies, based on ESG concerns. For example, some funds listed below exclude investment in companies based on revenues generated through thermal coal and oil sands.

- Aegon Cash
- Aegon Developed Markets Equity Tracker
- Aegon Developed Markets ex-UK Equity Tracker
- Aegon Emerging Markets Equity Tracker
- Aegon Europe ex-UK Equity Tracker
- Aegon Global Islamic Equity Tracker
- Aegon Global Listed Infrastructure
- Aegon Global Small Cap Equity Tracker
- Aegon Japan Equity Tracker
- Aegon Pacific ex-Japan Equity Tracker
- Aegon Retirement Income Multi-Asset

- Aegon UK Corporate Bond Tracker
- Aegon UK Equity Tracker
- Aegon US Equity Tracker

#### **Funds which integrate ESG considerations within their overall investment process:**

- Aegon Global Absolute Return Bond
- Aegon Global Strategic Bond
- Aegon UK Property

#### **Funds that fall into asset classes in which few solutions integrate ESG considerations within their investment process:**

- Aegon UK Government Bond Tracker
- Aegon UK Index-Linked Government Bond Tracker

For more information on the Scheme's self-select fund range review, please refer to the strategy section of this report.

#### **Bespoke fund range**

Around 3% of Scheme Members were invested in bespoke funds, representing 2% of the Scheme's assets. We offer 'bespoke' fund ranges in cases where employers wish to make a different range of self-select investment funds and/or a different default arrangement available to their employees. In these cases, the employers seek appropriate investment advice to create a 'bespoke' fund range. As of March 2023, ten employers had opted to offer bespoke funds to their Members



# Governance

In this section, we set out:

- how we maintain ongoing oversight of climate-related risks and opportunities which are relevant to the Scheme, as per our governance structure
- our responsible investment beliefs and how they were reviewed this year
- responsibilities for the management of climate change in day-to-day activities, including the role of service providers advising and/or assisting us.

## Trustee Board oversight

As the Trustees of the Scheme, we understand that we have ultimate responsibility for ensuring effective governance and management of climate-related risks and opportunities. This is particularly important given that the Scheme assets are managed by third-party asset managers with their own proprietary approaches and strategies, including climate-risk management. Effective oversight, dialogue, and monitoring of those asset managers is therefore a key tool for our climate-risk management approach.

The Scheme Investment Sub-Committee, including two out of four Trustees, provides expert oversight of investment topics that are essential to the successful management of the Scheme. This includes the Scheme's approach to responsible investment. We believe the sub-committee structure maximises the effectiveness of the Trustee Board's time, whilst ensuring the amount of governance and oversight necessary to manage climate-related risks. The Investment Sub-Committee meets quarterly. The investment adviser, Isio, attends all quarterly meetings. Since its establishment, the Investment Sub-Committee has regularly considered responsible investment and climate-related agenda items. Table 1 below lists key topics that were discussed by the Investment Sub-Committee during the Scheme Year. Significant time was spent on responsible investment topics, in particular climate-related, and we expect they will require growing time and resources in the future. Following a meeting of the Investment Sub-Committee, its Chair updates the Trustee Board (at the next Board meeting) on the matters that were considered. This update may be verbal or in writing, on matters discussed, recommendations and key actions agreed, including those relating to climate change.

**Table 1: Notable responsible investment agenda items discussed at Scheme Investment Sub-Committee meetings during the Scheme Year**

Date	Agenda topic(s) related to climate change risks and opportunities
<b>May 2022</b>	BlackRock LifePath climate objective – Update (Aegon UK) Review of Scheme fund range – Part 1 (Aegon UK)
<b>June 2022</b>	Review of Scheme fund range – Part 2 (Aegon UK) TCFD report review and discussion (Aegon UK)
<b>July 2022</b>	Review of Scheme fund range – Part 3 (Aegon UK) TCFD report approval (Aegon UK)
<b>August 2022</b>	Review of Scheme fund range – Part 4 (Aegon UK) Asset managers’ responsible investment annual monitoring results (Aegon UK) Investment performance report - BlackRock ESG integration (Aegon UK) BlackRock LifePath climate objectives changes (Aegon UK)
<b>October 2022</b>	Review of Scheme fund range – Part 5 (Aegon UK)
<b>November 2022</b>	BlackRock’s annual update – Stewardship summary (BlackRock) Discussion and approval of climate voting & engagement approach (Aegon UK) Capital Market Authority objectives review (Isio)
<b>March 2023</b>	Review of net-zero transition plan for Aegon’s defaults, the climate roadmap (Aegon UK) Discussion of 2022-23 climate-related data and disclosures (Aegon UK) ESG (responsible investment) beliefs review (Isio)

## Improving our climate understanding and knowledge

The Investment Sub-Committee dedicated significant time and resources across the Scheme Year to reviewing the Core Fund Range, which included significant input on climate risk. In addition to the Investment Sub-Committee items above, the Trustee Board regularly allocates time for climate-related teach-in sessions. These help us maintain appropriate climate oversight, following fast-paced regulatory and market developments. This year we received two sessions focused on best practice in relation to climate disclosures, net-zero transition plans and climate voting and engagement.

- In September 2022, Aegon UK provided an overview of the responsible investment landscape and an update on climate risks and opportunities. We were able to review Member engagement and discuss Aegon UK’s approach to climate stewardship. We also discussed the development

of Aegon UK’s net-zero transition plan, its climate roadmap, as it relates to the Scheme’s LifePath funds.

- In February 2023, our investment adviser, Isio provided a review and benchmarking of our 2021-22 TCFD report. At the same time, Aegon UK shared the latest developments around their climate change strategy and approach to responsible investment engagement themes. This included biodiversity related risks and its approach to using expressions of wish to communicate its voting preference to asset managers.

The Aegon UK secretarial / executive admin team, who support us, also attended these sessions.

## Responsible investment beliefs review

Investment beliefs are guiding principles which inform the investment strategy, design of the Scheme's default arrangements; and the number and type of other investment options we make available to Members. We re-evaluate our beliefs as part of a review of our Statement of Investment Principles, which must take place at least every three years and without delay following any significant change in investment policy.

This year we have reflected on and updated our ESG beliefs, which are now referred to as "responsible investment beliefs". Our enhanced beliefs provide further detail on the minimum level of active ESG integration and engagement we expect from Aegon UK and our asset managers. They have guided the climate expectations we have set for our asset managers. These expectations are described in the strategy section of this report. Our new responsible investment beliefs are as follows:

### Risk management

1. We believe that active consideration of ESG issues will lead to improved outcomes for Members and better management of risk.
2. We believe that a broad approach to ESG integration is important, considering all three components of ESG investing. Climate change, in particular, presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.

### Investment approach

3. ESG issues which are considered to be financially material should be integrated into the overall management of the standard default options.
4. The standard self-select fund range should include specialist funds which invest in line with sustainable and / or responsible investment themes, taking into account Member preferences where relevant.

5. We will only select asset managers that integrate ESG issues within their overall decision making. A key aspect is to ensure that each asset manager has committed to net zero by 2050 or has a definitive plan for setting a net-zero target.

### Reporting and monitoring

6. We will regularly monitor key ESG metrics within the Scheme's investment portfolio, to understand the impact of their investments and to assess progress over time.

### Voting and engagement

7. We recognise that active engagement with investee companies, including thoughtful voting, is key to driving change. We will therefore monitor the asset managers' voting and stewardship engagement activity to assess improvements over time.

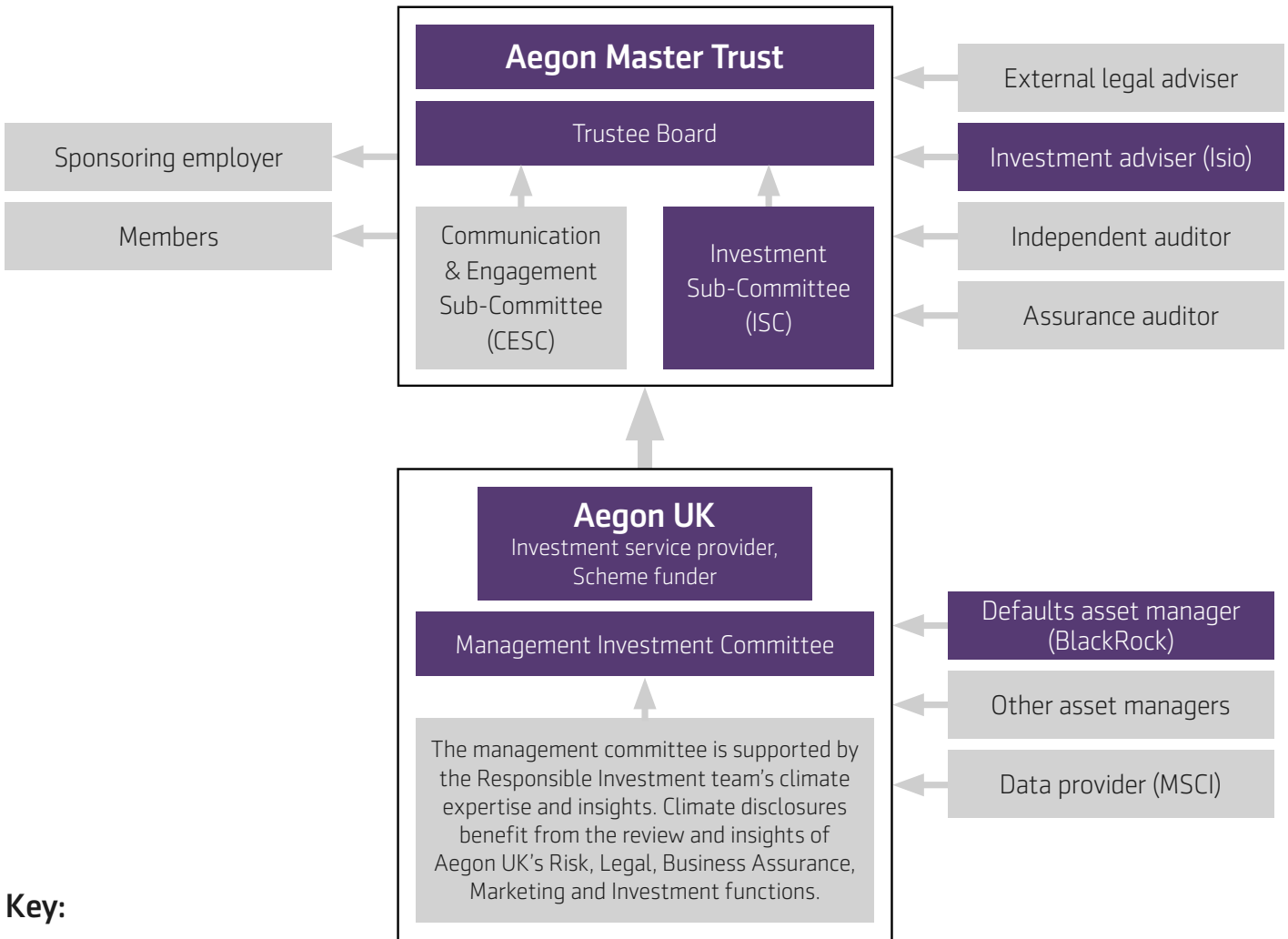
### Collaboration

8. We expect asset managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. We also expect their chosen asset managers to be signatories to the United Nations Principles for Responsible Investment (UN PRI) and the UK Stewardship Code as minimum, and that they are able to demonstrate ongoing progress in raising ESG standards.

## Roles and responsibilities of service providers

Service providers highlighted in this section assist us with undertaking governance activities with regard to managing climate-related risks and opportunities. Other service providers, including legal advisers, auditors, and the Scheme secretary, also undertake Scheme governance activities. However, these persons do not undertake activities relevant to assessing and managing climate-related risks and opportunities at the present time.

**Figure 2: Governance structure for the Scheme, with Trustee oversight of climate change considerations**



The investment service provider (Aegon UK), investment adviser (Isio), main asset manager (BlackRock) and climate data provider (MSCI) undertake, advise and assist with, respectively, governance activities in respect of identifying, managing and assessing climate-related risks and opportunities. Their roles and responsibilities are detailed in Table 2.

**Table 2: Roles and responsibilities of service providers assisting and advising us. Items below should not be viewed as exhaustive but as an illustration of various roles and responsibilities we expect of their service providers, and how we ensure appropriate oversight of these.**

Category	Investment service provider, also sometimes called Scheme funder, Aegon UK
<b>Description</b>	Aegon UK uses its intellectual property and market insights to make relevant suggestions in relation to our climate strategy, where appropriate. Aegon UK uses its dedicated responsible investment expertise to provide us with regulatory horizon scanning and dedicated training on climate-related risks and opportunities.
<b>Overall responsibilities</b>	<p>Aegon UK helps us set and implement an investment strategy which is aligned with the Scheme’s goals, objectives, and beliefs, such as climate management, net zero targets and related fund developments. Responsibilities include:</p> <ul style="list-style-type: none"> <li>• monitoring the climate credentials of the Scheme’s asset managers;</li> <li>• engaging with and challenging the Scheme’s asset managers and data provider, where appropriate, throughout the Scheme Year;</li> <li>• undertaking industry advocacy efforts to support wider market decarbonisation, including on our behalf;</li> <li>• providing data and insights to ensure climate-related disclosures are appropriate and aligned with any legislative changes;</li> </ul> <p>We are supported by an executive team, in particular the Chief Investment Officer who receives training from the Responsible Investment function. Thought leadership from the Responsible Investment team ensures that the executive team assisting us has a good understanding of climate change and its impacts.</p>
<b>Trustee oversight and governance</b>	The implementation of the Scheme’s net zero targets is overseen by Aegon UK’s Management Investment Committee. The Committee typically reviews items before they go to the Investment Sub-Committee. We leverage our investment adviser Isio to assess the credibility and progress of Aegon UK in helping us implement our climate strategy and day-to-day climate management.

Category	Investment adviser, Isio
<b>Description</b>	Isio provides ideas and an independent review of suggested approaches and developments from the investment service provider, where required.
<b>Overall responsibilities</b>	<p>Isio advises us on the Scheme's overall investment strategy, including our responsible investment strategy. Responsibilities include:</p> <ul style="list-style-type: none"> <li>• reviewing the appropriateness of the Scheme's investment strategy in relation to climate change, for example through feeding into fund reviews and commenting on the Scheme's progress towards net-zero targets;</li> <li>• providing us with advice and benchmarking our responsible investment strategy, including beliefs and climate-related disclosures;</li> <li>• assessing the credibility and progress of Aegon UK in helping us implement our climate strategy and day-to-day climate management;</li> <li>• supporting our independent oversight of the Scheme's asset managers; and</li> <li>• informing us of regulatory and market developments which could impact the investment strategy and wider fund range, and how they could be addressed.</li> </ul>
<b>Trustee oversight and governance</b>	<p>In accordance with DWP regulations and Pension Regulator guidance, we are required to set strategic objectives for investment advisers; and to review the provider's performance against those objectives at least every twelve months. The objectives must be reviewed and (if appropriate) revised at least every three years and without delay following a significant change in investment policy.</p> <p>We assessed Isio's performance for 2022 against its strategic objectives, including their objective to assist us in aligning the Scheme with its ESG objectives. Overall Isio scored well. The assessment helped us identify areas for additional focus. For example, the continued alignment between the Scheme and BlackRock's climate targets. We have agreed strategic objectives with Isio for the year 2023.</p>

<b>Category</b>	<b>Various asset managers, with BlackRock being the asset manager for the Scheme's main default arrangement, Aegon BlackRock LifePath Flexi</b>
<b>Description</b>	Asset managers are responsible for the day-to-day management of the Scheme's investments, including identification and management of climate risks and opportunities.
<b>Overall responsibilities</b>	<p>Taking BlackRock as an example, the BlackRock team regularly reviews its climate policies, processes, resources, and expertise to support climate integration and the ESG objectives of the Scheme. Responsibilities include:</p> <ul style="list-style-type: none"> <li>• contributing to the Scheme's climate strategy for investments and supporting the transition of assets to low carbon strategies where needed;</li> <li>• sharing risks and opportunities which relate to the Aegon BlackRock LifePath Flexi net-zero target;</li> <li>• exercising voting rights and engaging with companies on climate risks and opportunities; and</li> <li>• supporting climate data and information requests made under the regulatory regime.</li> </ul>
<b>Trustee oversight and governance</b>	<p>All asset managers must respond to an annual responsible investment due diligence questionnaire. This helps us ensure minimum climate requirements are met and helps inform topics for engagement throughout the year. We pay particular attention to BlackRock as the asset manager of our main default arrangement. They are invited to join Investment Sub-Committee meetings to present on specific climate topics and their decarbonisation progress. Aegon UK also has regular meetings with and oversight of BlackRock, which supports the Scheme's strategy. In the previous Scheme Year, Isio carried out a review of LifePath, in which they assessed the performance of BlackRock on ESG and climate criteria. Considering the extensive review performed last year, we have not repeated this exercise this year.</p> <p>We will not appoint asset managers who fail to integrate responsible investment principles into their overall decision-making processes. Those that we do appoint are required to report on their voting and engagement activities. For more information on how we monitor asset managers see strategy section.</p>



Category	Climate data provider, MSCI
<b>Description</b>	MSCI is a provider of climate data and analytics. They support the Scheme's data and information requests related to climate risks and opportunities, which informs our strategy development.
<b>Overall responsibilities</b>	MSCI provides the climate data and associated platform and customer service for Aegon UK to collect climate metrics and inform Scheme analysis, including for TCFD reports. This includes providing scenario analysis capabilities, estimating greenhouse gas emissions where reported data is not available, and developing methodologies for proprietary climate metrics, in line with market developments and regulatory guidance.
<b>Trustee oversight and governance</b>	<p>Aegon UK exercises day-to-day oversight of MSCI through weekly meetings and monthly relationship meetings. These are used to discuss availability of climate data, insights from climate reports and raise any issues. The performance of MSCI is continually evaluated, specifically the level of service provided, appropriateness of data and relationship as a key service provider.</p> <p>Aegon UK's responsible investment team aggregates, complements, reviews, and analyses the information provided by MSCI before sharing it with us. Data published through TCFD reports is independently reviewed by Isio. MSCI communicate improvements in data quality and updates to methodologies via Aegon UK through Investment Sub-Committee updates or board teach-ins.</p>

Two case studies on how we have challenged service providers during the Scheme Year can be found in the risk management section (climate data provider) and metrics and targets section (asset manager).

# Strategy

In this section we set out:

- our approach to climate-related risks under different time horizons, in relation to our investment strategy
- our chosen climate scenarios and associated analysis
- our climate strategy and how we are using our influence to decarbonise our default investment arrangement, Aegon BlackRock LifePath Flexi.

## Description and assessment of climate-related risks and opportunities

### How we define climate-related risks

Material climate-related financial risks can affect the value of our Members' investments, directly impacting their financial wellbeing. To manage climate risks, we need to understand the range of climate impacts, how and when they may occur, and the likely consequences for our investment strategy. In assessing the potential impacts of climate risks on our Members' investments, we consider physical, transition and liability risks, which we define as follows:

- **Physical risks** – the risks arising from changes in the weather systems attributable to climate-change. For example, temperature and precipitation changes, or frequency and severity of extreme weather events. Physical risks can be both acute (event driven) and chronic (long-term) in nature.
- **Transition risks** – the risks arising from the changes required to support the transition to a sustainable, low-carbon economy, including those driven by policy and technology changes.
- **Liability risks** – the risks that individuals or businesses seek compensation for losses caused by the effects of physical or transition risks for which they hold organisations responsible. Liability risk is considered a subset of both transition risk and physical risk.

### How we define time horizons

While exact outcomes are uncertain, there is a high degree of certainty that some combination of physical and transition risk factors will occur and are already occurring, as made clear in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Climate risks will impact both our Members' investments and the world they will live and retire in. The age distribution of Members invested in Aegon BlackRock LifePath Flexi ranges from those retiring in the Scheme Year to those retiring beyond 2070. We thus recognise the need to consider both immediate and long-term investment horizons. This year, we have revised our three time horizons, extending them into the future to better reflect the long-term nature of our Members' investments. We currently consider these time horizons to be sufficiently long-term.

- **Short-term horizon (less than 10 years):** Within that period, most transition risk will be taken into account by financial markets while physical risks will increase.
- **Medium-term horizon (between 10 and 25 years):** We expect remaining transition risks, and emerging risks resulting from the increasing physical impacts under extreme warming scenarios, to manifest in 10 years or more.
- **Long-term horizon (over 25 years):** During this period there may be accrued risks resulting from the increasing physical impacts emerging under extreme warming scenarios risks.

We assess all these time horizons in our evaluation of climate risks and opportunities, and consider:

- the type of assets our Members are invested in;
- how long assets will be invested for; and
- the time horizon over which climate change considerations will be relevant.

**Table 3: Our revised short, medium and long-term time horizons and associated potential impacts, both risks and opportunities**

Risks	Potential impacts	Time horizons		
		Short term <10 years	Mid term >10-25 years	Long term >25 years
<b>Transition risks</b>				
Wide-ranging transition risks (policy and legal risks)	Transition to a net-zero world will require significant policy intervention as governments seek to drive the necessary actions from companies and citizens, including measures such as carbon pricing and restrictions, or outright bans on polluting activities.	<b>x</b>	<b>x</b>	
Wide-ranging transition risks (technology risks)	Transition risks also encompass technological risk as the world shifts away from fossil fuels and carbon-intensive methods towards sustainable alternatives such as renewables and electric vehicles, causing potential 'stranding' of high-carbon assets.		<b>x</b>	<b>x</b>
Market risks	Risk that broader macro-economic impacts from climate change drive lower asset valuations, higher corporate and sovereign defaults, and increased volatility. Potential impacts on interest rates and inflation are unclear. Impacts vary under different climate scenarios, with transition effects stronger under 'orderly' and 'disorderly' scenarios, and physical effects stronger under a 'failed transition' scenario.	<b>x</b>	<b>x</b>	<b>x</b>
Reputational risks	Risk that the Scheme's management of physical and transitional risk factors is suboptimal or negatively perceived by our stakeholders, causing reputational damage.	<b>x</b>	<b>x</b>	
<b>Physical risks</b>				
Wide-ranging physical risks	Physical risks refer to the many different and interconnected impacts that come with a warmer world, including extreme weather and rising sea levels, which can damage assets and cause disruption to supply chains and company operations.	<b>x</b>	<b>x</b>	<b>x</b>

Please bear in mind that the value of investments may go down as well as up and the final value of a member's pension pot may be less than has been paid in. There's no guarantee funds will meet their objectives. Funds investing in a single asset class, for example UK equities, should only be used as part of a diversified portfolio. Any charts are for illustrative purposes only, and we reserve the right to change funds' asset allocations and charges. You should get financial advice if you're not sure whether an investment or product is right for you.

		Time horizons		
Risks	Potential impacts	Short term <10 years	Mid term >10-25 years	Long term >25 years
<b>Direct risks to our members</b>				
Quality of life and morbidity	Risk of deterioration in quality of life preventing our Members from living their best lives e.g., impacts resulting from drought or wildfires affecting crops, food, and water security.	X	X	X
Mortality	Risk of higher levels of morbidity e.g., through deterioration in air quality in failed transition scenarios, or chronic changes in weather patterns such as prolonged heatwaves, or severe winters. These are primarily driven by physical risk. Risk of higher levels of mortality as a direct consequence of climate change / extreme weather events, or the indirect impact on individual wellbeing levels driven by worsening economic conditions. This is primarily driven by physical risk.		X	X
<b>Opportunities</b>				
Climate opportunities: Investee companies' transition	To thrive in the low-carbon world, companies will need to adapt and rethink their business models. Significant capital will be needed to fund corporate net-zero transition plans, with better expected long-term outcomes for companies that manage to change.	X	X	
Climate opportunities: new investment opportunities	We expect more capital will be allocated towards climate change mitigation and adaptation over the coming years. In addition, climate solutions' investments may help expand investments to non-traditional asset classes, such as real assets or private equity.	X	X	X
Climate opportunities: new products and services opportunities	Our Members will increasingly be concerned about climate change and the impact on their investments. This is an opportunity to support companies developing new products and services tailored to their customers concerns and helping to address the challenges of climate change.	X	X	
Resource efficiency opportunities	Opportunities arising from reduced operating costs of companies through efficiency gains and increased production capacity, as well as from transforming a linear economy to a circular economy.		X	

## Impact of climate-related risks and opportunities for our strategy

### Short-term, less than 10 years

In the next few years, the implementation of Aegon UK's net-zero transition plan, its climate roadmap, will increase the alignment of Aegon BlackRock LifePath funds with the Scheme's net-zero commitment<sup>12</sup>. The AMT Fund Range will also offer more choices for Members to invest in the transition to a low-carbon economy.

Our new minimum responsible investment requirements and stewardship approach will support getting to our 2030 decarbonisation target and frame our engagement with our asset managers and the wider market. Climate is already one of our key engagement themes. It drives how we approach asset manager selection, appointment and monitoring, and our asset manager's voting and engagement activities, to ultimately manage short-term risks. We are already asking our asset managers how they quantify physical and transition climate risks for assets, and how they use these to inform their corporate engagement strategy. Over the next decade, we want to see more evidence of outcomes from their climate engagement. We expect asset managers to follow and contribute to industry best practice so we can continue to work together to minimise climate risks. Engagement with our asset managers will be key to meeting our 2030 decarbonisation targets.

Finally, we expect that data quality will improve over this period, driven by increased regulatory scrutiny. We anticipate a shift in focus to the verification of company emissions reporting and regulation of climate data provision towards the end of the period.

### Medium-term, 10 to 25 years

We will continue to monitor and challenge our asset managers, as we assess their medium-term progress against our net-zero target. We expect all our asset manager partners will demonstrate sophisticated qualitative and quantitative analysis to support climate-related risk management, including robust decarbonisation pathway analysis. We expect asset managers will support the decarbonisation

of markets and reflect this in their investment strategy, monitoring and engagement frameworks and approach to industry advocacy. Better climate disclosures will help us refine our investment strategy and net-zero targets.

In addition, as the market becomes better at pricing in climate risks, we anticipate more assets will be invested with better consideration to climate factors, moving beyond screens (e.g. exclusions) to better integration of climate factors. We also expect there will be more and more opportunities to invest in climate solutions, directly adapting to and mitigating climate change. This is in recognition that illiquid assets may provide more significant sustainability outcomes, as well as attractive, long-term investment returns.

### Long-term, over 25 years

Members may be increasingly affected by climate impacts, through their investments and in their daily life. As a result, we expect our asset managers will scale their efforts to address climate change adaptation and mitigation. By this point in time, we may expect that markets will be fully pricing in transition risks and will start to price in locked-in physical impacts, if the world meets the goals of the Paris Agreement to stay within 1.5°C of pre-industrial temperatures this century.

Under a failed transition scenario (which is explained in the climate scenario analysis below), we expect markets will price in more severe physical impacts, exacerbated by inaction over the preceding years. We are conscious of the size and scale of the challenges that we are all collectively dealing with, the complexity of understanding different climate change scenarios and that a great deal of additional insight, learning and integration lies ahead. We can therefore expect significant changes in our funds' asset allocation compared to today, as well as significant opportunities to invest in the transition to a low-carbon economy.

12. Aegon UK's net-zero commitment covers all of its default funds, which includes Aegon BlackRock LifePath.

Please bear in mind that the value of investments may go down as well as up and the final value of a member's pension pot may be less than has been paid in. There's no guarantee funds will meet their objectives. Funds investing in a single asset class, for example UK equities, should only be used as part of a diversified portfolio. Any charts are for illustrative purposes only, and we reserve the right to change funds' asset allocations and charges. You should get financial advice if you're not sure whether an investment or product is right for you.

The impact of climate-related issues on the financial performance of our investment estate is considered in the next section. We use Climate Value-at-Risk (CVaR) to measure the potential impacts of different climate scenarios on our investments.

## Climate scenario analysis

Scenario analysis combines data on climate risks and opportunities categorised as physical or transition (policy and technological risks). These risks and opportunities are then translated into an aggregated CVaR metric for each of the three transition scenarios. Climate scenario analysis offers the opportunity to explore the potential impacts on our Members’ investments in default portfolios under a set of possible scenarios. These scenarios do not correspond to projections but rather illustrate a set of future possible state of the worlds.

### Choice and description of scenarios

This climate-related scenario analysis assessed the potential impacts on our Members’ investments in the Aegon BlackRock LifePath Flexi default portfolio, the Scheme’s only popular arrangement, under three scenarios. The different trajectories of the three scenarios are presented below:

**Table 4: Three transition scenarios from MSCI to capture possible temperature paths**

1.5°C Orderly Transition	1.5°C Disorderly Transition	4°C Failed Transition Scenario
Transition impact due to policy measures and technology drivers	Transition impact due to policy measures and technology drivers	Some transition impact -existing policy regimes are continued with the same level of ambition until 2030 when slow decarbonisation occurs
Transition is assumed to occur as smoothly as possible. Carbon capture and storage are developed.	Transition to low carbon technologies results in sentiment shock and stranded assets	Severe physical impacts over time – both gradual physical changes, as well as more frequent and severe extreme weather events
Steep increase carbon price by 2030	No increase in carbon price until 2030, steep increase between 2030 and 2050	Limited increase in carbon price by 2050
Locked-in physical impacts of 1.5°C	Locked-in physical impacts of 2°C	Assumes temperature rise of 4°C by 2100.
Integrated Assessment Model: REMIND NGFS 1.5°C, see model descriptions on next page	Integrated Assessment Model: REMIND NGFS 2°C	Integrated Assessment Model: 3°C REMIND NGFS transition scenario and 4°C IPCC SSP3-7.0 aggressive physical scenario

Climate scientists currently anticipate that climate change is likely to lead to a world temperature rise of 2.7°C by 2100<sup>13</sup>. Such projections are significantly higher than the ambition set by the Paris Agreement, which aims at limiting global surface temperature rise to well below 2°C above pre-industrial levels by the end of the century and to pursue efforts to limit the temperature rise to 1.5°C. Consequently, this year we increased our disorderly scenario to 2°C and failed transition scenario to 4°C, reflecting a more realistic range of projections for our Members. We also updated our scenarios to reflect releases from our data provider, see case study in the risk section.

The first component of climate scenario analysis is physical risk. Our data provider, MSCI, has established a measure of **physical risk** to quantify the effect of different physical risk 'hazards' on companies. This refers to different global warming-induced weather patterns like flooding, wildfires, droughts and their effects on the facilities that a company directly owns, like offices or factories. Companies with facilities in climate sensitive regions or long-lived fixed assets are those that are most at risk under this metric, due to greater exposure to extreme weather patterns which may increase in frequency or severity over time.

The second component of climate scenario analysis is transition risk. Our data provider, MSCI, has established a measure of **transition risk**, which attempts to estimate the likely trajectory of human economic activity over a 50-year horizon and quantify how a Member's portfolio is likely to be impacted. Transition risks will be influenced by existing and future climate policy as well as whether / how countries implement their decarbonisation plans. Transition risks can be further assessed in terms of when and how policy changes are delivered. An orderly transition will assume that policy makers will introduce policy changes gradually, giving corporates time to adapt their business models. Whilst a disorderly transition will assume a sudden change in legislation dictated by an urgent need to change corporate practices.

Finally, the last component of climate scenario analysis, the **technology opportunity**, considers the opportunities arising from the changes required to meet the transition to a low carbon economy.



13. Climate Action Tracker (November 2022), [The CAT Thermometer](#)



## Assumptions made in relation to climate scenarios

We based our orderly and disorderly transition scenarios on Network of Central Banks and Supervisors for Greening the Financial System (NGFS) REMIND<sup>14</sup> scenarios. These are commonly accepted by the scientific community and the most recent scenarios available to us via our data provider MSCI. We note that there are other scenarios available. For example, REMIND NGFS project lower use of carbon sequestration, and higher uptake of electrification in the transport sector compared to other scenarios.

We assumed an average physical risk for the 1.5°C NGFS REMIND orderly transition scenario, and an aggressive physical risk under the 2°C partially disorderly transition scenario. Our failed transition scenario is based on 3°C REMIND NGFS transition scenario, due to the unavailability of 4°C scenario for REMIND NGFS combined with a 4°C Intergovernmental Panel on Climate Change (IPCC) SSP3-7.0 aggressive physical scenario. Indeed, transition risks are less relevant compared to the significance of physical risks in a 4°C world.

The 1.5°C and 2°C scenarios are similar in terms of population, GDP growth and electricity generation fuel mix in 2050. Where they differ is how fast the transition happens (expressed in terms of energy mix in 2030), carbon sequestration uptake, and the year emissions peak and reach net-zero. We also assumed physical risk would be in line with average scenarios under a 1.5°C transition scenario and in line with aggressive scenarios under a 2°C scenario<sup>15</sup>. The hothouse 4°C scenario is similar to the other two scenarios in terms of population and GDP growth only. It is characterised by a slow and limited decarbonisation of its electricity generation mix in 2030 with limited progress further into 2050. Carbon sequestration uptake is low and late, and emissions never reach net-zero. More details on the key assumptions used in relation to our chosen scenarios can be found in the Appendix.

Our climate scenario analysis relies on large sets of assumptions at the core of the economic and climate models used. Whilst these offer an indication of the potential financial impacts on the Scheme's assets, the Trustees are conscious that the financial impacts may be far worse under all scenarios. No investment decision is made solely based on climate scenario analysis.

14. REMIND (Regional Model of Investment and Development) was developed by the Potsdam Institute for Climate Impact Research to analyse the future implications of interactions between energy, land-use, economy and climate systems. REMIND uses a general equilibrium model with perfect foresight, meaning the model can anticipate changes happening over the modelling time horizon, to simulate the interactions between the various systems inside a closed economy.

15. To reflect the variety of these different possible outcomes our climate data provider gives us two values out of the full distribution: the 50th quantile representing the mean outcome (average outcome) and the 95th quantile representing the high-end risk. These are respectively defined as average and aggressive scenario options.

## Climate Value-at-Risk results and resilience of the Scheme's investment strategy

Our investment service provider, Aegon UK, ran and analysed our scenarios, assisted by MSCI. This was done by combining the impacts of the transition and physical climate risks to produce an aggregated climate VaR measure, based on the three transition scenarios discussed above.

**Table 5: Scenario analysis output for Aegon BlackRock LifePath Flexi, as of December 2022**

Choice of three scenarios	Aggregated Climate VaR	Data coverage (estimated & reported)
Orderly transition (1.5°C)	-10.8%	68.5%
Disorderly transition (1.5°C)	-18.5%	68.5%
Failed transition, a hot-house world (4°C)	-30.2%	68.5%

As a reminder, we had generated scenario analysis using different assumptions and scenarios last year and reported the below impacts.

**Table 6: Scenario analysis output for Aegon BlackRock LifePath Flexi, as per our 2021-2022 climate disclosures**

Choice of three scenarios	Aggregated Climate VaR	Data coverage (estimated & reported)
Orderly transition (1.5°C)	-14.3%	46%
Disorderly transition (1.5°C)	-33.9%	46%
Failed transition, a hot-house world (3°C)	-11.4%	46%

The exercise identified how, under three scenarios, Aegon BlackRock LifePath Flexi assets are materially exposed to physical and/or transition risks. The key take-away from this analysis is that across all the scenarios considered, expected returns are lower than the 'climate-uninformed' baseline<sup>16</sup> due to negative climate risk impact over time. Indeed, the data suggests that significant changes in policy, investment and behaviour will be necessary to change global warming trajectory to a Paris-aligned outcome. Whether we experience an orderly, disorderly or failed transition, there are likely to be significant changes in financial markets over the coming decades, which in turn could have a material impact on the Scheme's investment portfolios.

16. The Climate VaR measure is relative to a baseline scenario which is 'climate-uninformed', i.e. one where existing policies and past physical impacts are assumed to have been priced in by markets, but no future transition policies or physical risks are accounted for.

## Data and methodological limitations

We identified a set of factors limiting the reach of this exercise:

- Whilst we increased data coverage from 46% to 68.5% this year, limited data coverage and developing methodologies still affect how useful the CVaR metric is at the present time. We expect to see further developments in climate scenario modelling and data coverage across all asset classes in future years.
- Our climate scenario analysis focused on listed equity and corporate fixed income. At the time of the analysis data on sovereign debt was not available from our data provider.
- The scenario analysis methodology assumes the funds will keep a consistent asset class and sector composition. We recognise this as a limitation, as future asset allocation of the funds may diverge from the current asset allocation.

- The scenario analysis of the Scheme is not fixed. It will change as climate science evolves, the market responds to climate change, and our own internal capabilities improve. For example, we expect to be able to run more granular CVaR for additional asset classes in future years.

We believe climate risk education and integration into investment decisions are critical to overcome data and methodological limitations. This is why we ask our asset managers about their climate risks analytical capabilities and require that they are able to quantify physical and transition risks for assets and assess progress against decarbonisation pathways, to inform their corporate and industry engagement strategy.

## Our climate strategy

We recognise that climate change poses risk and opportunities to the Scheme. As part of our fiduciary duty, we incorporate these considerations into all areas of our strategy. We are an indirect investor and rely on third-party asset managers to identify and influence the companies we invest in. We can drive positive change in two main ways, firstly through the investments we choose to allocate capital to and secondly through how we, directly or via our Scheme service provider, engage with our asset managers, climate data providers, relevant industry groups and policy forums.

## Capital allocation aligned with our net-zero targets

How and where we choose to invest can both mitigate climate-related risks in our portfolios – by excluding or tilting away from certain companies or sectors and favouring others – and accelerate carbon intensity reductions. This year we set out plans to increase alignment with our net-zero targets and provide more choice for our Members.

### **1. We aligned strategies with our asset manager and investment provider on the implementation of our net-zero targets.**

Firstly, to bring to life our objective for Aegon BlackRock LifePath Flexi to reach net-zero emissions by 2050 and to halve its carbon footprint by 2030, we supported Aegon UK's net-zero transition plan, its climate roadmap. The roadmap applies to all Aegon UK default funds, including LifePath. It outlines a three-pillar strategy to reaching net-zero and several key targets, including short-term decarbonisation targets. The implementation of the climate roadmap will support our Scheme by aligning with our medium and long-term decarbonisation targets. It should also encourage wider engagement for market-wide decarbonisation.

Secondly, we asked BlackRock to consider a carbon emissions' reduction target for Aegon BlackRock LifePath default arrangements. Following discussions throughout the year, we were pleased to see BlackRock adopt their own climate target, which is more fully explained in a case study in the metrics and targets section. In addition to BlackRock LifePath having its own decarbonisation target, we also welcomed the speed at which ESG factors are becoming integrated into BlackRock LifePath, with BlackRock LifePath reaching 80% of assets under management screened and/or optimised for ESG factors as of March 2023.

### **2. We reviewed the Core Fund Range, making a wider range of self-select funds with climate credentials available to our Members.**

Throughout the year, we performed a strategic review of the Core Fund Range, with the assistance of our investment adviser, Isio. This review focused on expanding the range of self-select funds available to Members, in line with our commitment to include specialist funds which invest according to sustainable and/or responsible investment themes. This redesign provides Scheme Members with access to more investment choices and further integrates ESG considerations into the Scheme's investment offering. The AMT Fund Range will be made available to Members during the 2023-24 Scheme Year. We retained nine funds, added sixteen new funds and dropped four. Following customer testing, the fund names have also been updated to better reflect their investment strategy, be more easily understood and add coherence to the range. Altogether, the AMT Fund Range will then offer twenty-five self-select options on top of the three Aegon BlackRock LifePath default options, as outlined in the introduction.

## Voting and engagement with asset managers

This year we reviewed and improved the way we engage with asset managers and the industry to better reflect our climate commitments.

### **1. We assessed and reviewed the climate credentials of all our asset managers and agreed new minimum climate requirements.**

In the Scheme Year, we received the first results from the asset manager responsible investment due diligence questionnaire from Aegon UK. We were able to benchmark our asset managers against

best practice, identify those who did well and those less so, which then informed our engagement with asset managers throughout the year. In addition, we adopted asset manager minimum expectations related to responsible investment governance, voting and engagement, industry advocacy, climate change, diversity and inclusion, and climate change. Our responsible investment scoring and minimum expectations are used for asset manager selection, appointment, and monitoring. Progress on climate credentials will continue to be assessed annually and we will review our minimum expectations in line with market developments, industry best practice and regulatory changes.

**Table 7: Scheme asset manager expectations across five areas of responsible investing, including climate change**

Responsible investment category	Minimum expectations
1. Responsible investment governance	Ensuring robust and adequately resourced governance is in place
2. Voting and engagement	Driving active engagement and voting, informed by material sustainability issues
3. Climate change	Supporting our climate ambition and net-zero commitment
4. Industry advocacy	Using their voice to drive systemic sustainable changes in the economy
5. Diversity and inclusion	Improving representation for better decision making

### **2. We built our stewardship capabilities by (i) defining climate as a key engagement theme, (ii) agreeing engagement principles and (iii) setting out our approach to expression of wish for key resolutions, including those on climate.**

As per the Financial Reporting Council, stewardship is “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”. This year we adopted three engagement themes. Having climate change as a standalone theme reflects the growing concerns of our customers and our dedicated focus on net zero.

**Table 8: Our engagement themes**



## Climate change

Including net zero and biodiversity

## Diversity and inclusion

Including board diversity

## Human rights

Including modern slavery

To help support our stewardship activities, we established expectations for asset managers on their corporate engagement. For climate change, we expect our asset managers to:

- Quantify physical and transition climate risks for assets and assess progress against decarbonisation pathways, to inform their engagement strategy.
- Provide their approach to managed phase-outs and/or divestment for high-emitting assets incompatible with a 1.5°C pathway (in particular thermal coal and oil sands).
- Demonstrate practices in line with the **Net Zero Stewardship toolkit** as developed by the Institutional Investors Group on Climate Change (IIGCC), for listed equity and corporate fixed income.
- Engage with companies on the transparency of their climate disclosures, net-zero commitment(s), and associated transition plans to reduce greenhouse-gas emissions, aligned with a well below 2°C scenario, preferably 1.5°C.
- Engage with companies on how they identify, assess, and manage nature-related risks and opportunities in the context of climate change.

Having clear principles and guidelines for our engagement with asset managers helps us drive effective and collaborative climate engagement. As a result, we also expect asset managers to:

- Define SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives where appropriate.
- Provide case studies and metrics on engagement outcomes, instead of just engagement activities.
- Demonstrate a robust escalation strategy, which employs a range of escalation tools (e.g. voting against the board, filing a shareholder proposal, etc.) and in which divestment (i.e. selling the investment) is a last resort (not a first response).

In a similar fashion, we prioritise engagement over divestment to drive real-world decarbonisation. Aegon UK will report to us at least annually on progress and outcomes from asset manager engagement, as per the expectations above.



Finally, we set out our approach on voting and expressing our wishes to asset managers. Shareholder votes on climate resolutions<sup>17</sup>, at the companies our funds invest in, are cast by the asset managers we have appointed. Through expressions of wish, we are able to set non-binding requests for key asset managers in our pooled funds to vote a certain way on “most significant” climate votes. For example, votes concerning our largest Scheme holdings and/or those with the potential to substantially impact financial and/or climate outcomes. We believe our main asset manager, BlackRock, in most part, is best placed to vote on our behalf to achieve continuity between engagement activity and voting. Aegon UK will implement this new approach at the upcoming AGM season. We will have oversight and input into the process and any expressions of wish put forward by Aegon UK.

### **3. We increased and formalised our industry advocacy efforts to collectively address the systemic risks brought by climate change.**

In line with our new industry advocacy expectations, we expect asset managers to use their voice to drive systematic sustainable change in the economy. In addition, we expect asset managers to support and/or demonstrate transparent cross-industry collaboration. We encourage asset managers to consider investor engagement and sector and value-chain engagement, as well as lobbying/policy engagement. We agreed for Aegon UK to represent us, the Trustees, in their industry engagement activities, for mutually beneficial climate advocacy work. By leveraging Aegon UK’s expertise and contribution in this area, we can further collaborate on net-zero targets and contribute to increased climate ambition and climate action in the market. For a list of all industry and policy activities Aegon UK has carried out in 2022, please refer to the Responsible Investment and Stewardship report, ‘Our collaborative engagement contributions’ section.

#### **Case study:**

### **Collaborating with industry to develop a net-zero questionnaire and pilot it with our asset managers**

In Q4 of 2022, Aegon UK joined an IIGCC working group of asset owners to support reporting and oversight between asset owners and managers on stewardship activities to achieve their net-zero ambitions. This builds on IIGCC’s work on its Net Zero Stewardship Toolkit (April 2022) to support investors in meeting their portfolio-alignment goals. Aegon UK was an active participant, contributing to the development of the working group’s proposed outputs, in particular the development of a net-zero stewardship questionnaire to support the selection, appointment and monitoring of external managers. Aegon UK engaged with key Scheme asset managers on our behalf to understand their application of IIGCC’s net-zero stewardship toolkit and signposted the development of IIGCC’s questionnaire to encourage manager adoption. Early this year, Scheme asset managers were invited to join a series of workshops, hosted by IIGCC during January and February 2023, to gather feedback from managers to feed into the development of the questionnaire prior to the launch of a public consultation. We will use the outputs from the questionnaire in our 2023 annual responsible investment questionnaire.





# Risk management

In this section we will:

- explain our processes for identifying and assessing climate-related risks relevant to the Scheme
- describe how climate risks are managed through our responsible investment and stewardship activities, in particular our asset managers' annual responsible investment oversight process
- illustrate how our Risk Register and Climate Risk Dashboard help us better identify and manage key areas of climate risks.

## Identification, assessment and management of climate risks

We, the Trustees, are committed to giving climate risks due consideration, in order to protect and grow returns for our Members. We firmly believe a forward-looking approach is required to capitalise on the opportunities the climate transition brings. Beyond climate change risks, we recognise that better climate risk management is about being good stewards of our Members' assets, which ultimately may bring positive benefits to society. As outlined in the governance section of this TCFD report, we keep up-to-date with the latest climate change concepts and emerging climate risk topics through responsible investment teach-ins. We recognise the four principles of interconnections, temporal orientation, proportionality and consistency when considering integration of climate-related risks, as highlighted in DWP Statutory Guidance.

Climate risks and opportunities can be identified and assessed at any point during the annual business planning cycle. They are also formally integrated into our overall risk management framework, our Scheme Risk Register, so we are able to make informed management decisions. We also benefit from the risk management processes and expertise of the Aegon UK and Aegon Group. These include:

- Aegon Group's business environment scan, which captures new and emerging risks which could have a significant impact on the group's financial strength, competitive position or reputation. It functions as a check on the ongoing appropriateness of Aegon's risk universe and can be leveraged by the Scheme to provide input for ongoing strategy development. Climate change and loss of biodiversity are explicitly covered under the business environment scan process.
- Aegon UK's Risk team maintains an enterprise risk management framework, which includes processes to identify risks, assess their impacts and then set appropriate risk appetite, tolerance and policies. The framework is aligned with our views on climate risks and we are able to make use of results of these exercises, as well as in the in-house knowledge of experts within the Aegon UK Risk team.

We manage climate-related risks through our responsible investment and stewardship activities. Asset manager monitoring, oversight and engagement is a key part of how we manage climate risks. Every year, we send a responsible investment questionnaire to all asset managers. Their answers help us monitor and assess their climate credentials, including how they are managing climate risks. Regular discussions with our asset managers ensure

we stay up-to-date and aligned with their approach to climate related risks. At minimum, asset managers must comply with our **climate requirements** and **voting and engagement expectations**, for example having a net-zero target and being able to quantify physical and transitional risks. For more information on how climate-related risks are integrated into our capital allocation, stewardship and engagement activities, please refer to the strategy section.

## Our Scheme Risk Register

In the 2021-22 Scheme Year, we added a standalone climate risk to the Scheme's Risk Register, in collaboration with our investment adviser Isio, and Aegon UK. The Aegon UK Risk team review the risk ratings on the Scheme Risk Register so Trustees can take appropriate actions if a specific risk is not on target. Each quarter Aegon UK produces a heat map of any risk(s) that are not on target, with associated commentary for the Trustee Board. As part of this process, we split out the climate change risk into two categories of risk and assessed these in this Scheme Year.

- 1. Climate change risk:** the risk that climate risk is not accurately reported or managed with effective actions in order to avoid greenwashing across the Scheme.
- 2. Greenwashing risk:** the risk that the Scheme makes sustainability-related claims that are misleading, not reasonable and unsubstantiated through underlying practices.

Climate change risk was rated as yellow. This is because TCFD reporting is in its infancy, limited details have been received from our main asset manager, BlackRock, on the implementation of the 2029 carbon emissions' reduction target across BlackRock LifePath, and the significant impact of unmitigated climate change on the global economy and associated impact on the Scheme's investments.

Greenwashing risk was rated as yellow. This is based on the speed at which the regulatory environment is changing and the absence of commonly accepted standards. This risk is managed through our investment service provider Aegon UK's **Responsible Investment framework**, its associated monitoring of practices, its responsible investment team expertise, its marketing compliance processes, as well as through our continued training and education.

## Our Climate Risk Dashboard

Isio and Aegon UK provide advice and support to the Scheme's Investment Sub-Committee on maintaining and upgrading the Scheme's Risk Register. The new climate change and greenwashing risk ratings have been added to our Climate Risk Dashboard below. Other updates to the Climate Risk Dashboard for this year include:

- adding scope 3 emissions which represent the most material sources of our emissions,
- reporting in British pounds to align with our UK Members and using enterprise value including cash (EVIC) as per industry guidance,<sup>18</sup>
- splitting our CVaR metric into physical risks, transition risks and transition opportunities to help assess overall climate risk.

The metrics in the Climate Risk Dashboard represent the whole Scheme portfolio (Aegon BlackRock LifePath default arrangements, Core Fund Range and bespoke options), as described in the introduction. Definitions of metrics are provided in the metrics and targets section of this document.



18. Partnership for Carbon Accounting Financials, (December 2022), [The global GHG accounting and reporting standard](#).

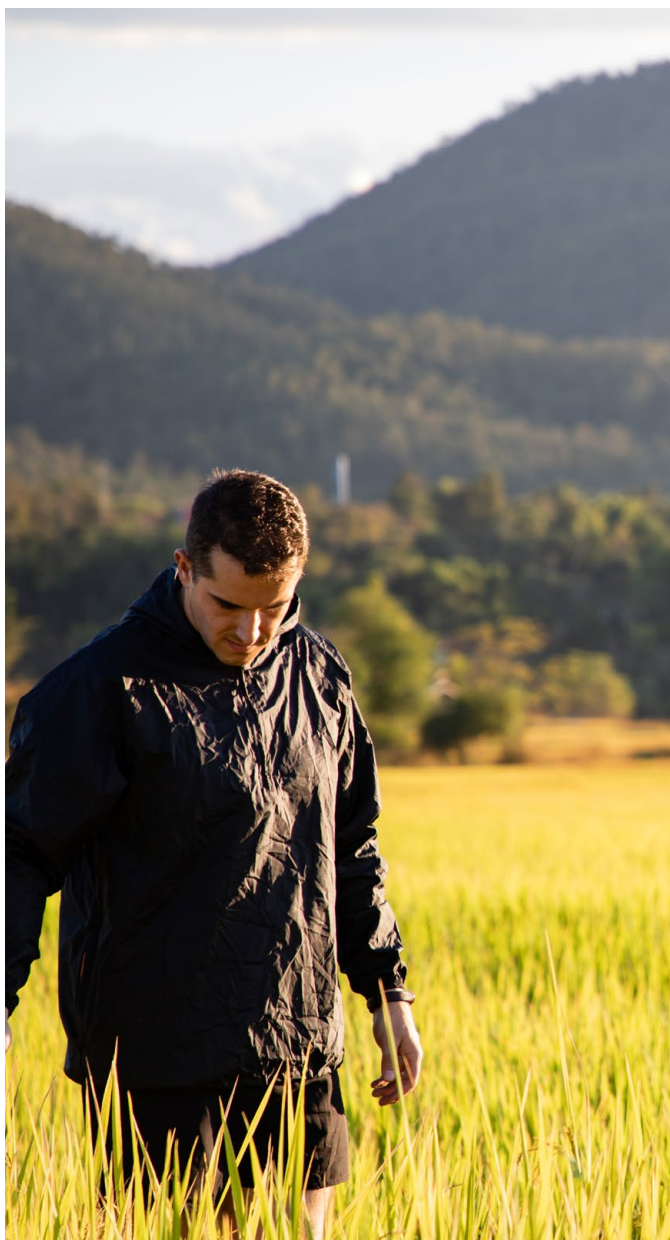
**Table 9: The 2022-23 Climate Risk Dashboard represents the whole of the Scheme portfolio and is used to identify and better manage key areas of climate risks.**

Climate Change dashboard metrics			2021-2022	2022-2023
<b>Absolute emissions metrics</b>				
Absolute emissions	Scope 1 & 2 tonnes CO <sub>2</sub> e		-	237,680
	Scope 3 tonnes CO <sub>2</sub> e		-	1,538,494
<b>Carbon intensity metrics</b>				
Carbon footprint	Scope 1 & 2 tonnes CO <sub>2</sub> e/£M EVIC		92.0	58.5
	Scope 3 tonnes CO <sub>2</sub> e		-	411.3
Weighted average carbon intensity (WACI)	Scope 1 & 2 tonnes CO <sub>2</sub> e		178.8	141.6
	Scope 3 tonnes CO <sub>2</sub> e/£M sales		-	960.8
<b>Portfolio alignment metric</b>				
Implied temperature rise (degree celsius)			3.4°C	2.6°C
<b>Additional climate metrics</b>				
Data quality (% total portfolio)	Scope 1 & 2 emissions - covered (%)	Estimated (%)	46%	13%
		Reported (%)		60%
	Scope 1 & 2 emissions - Not covered (%)	No coverage (%)	54%	27%
<b>Other climate metrics</b>				
% of investments with approved Science Based Target initiative (SBTi) targets (1.5°C aligned net-zero targets)			0.3%	21.4%
% of investments aligned with climate opportunities <sup>19</sup>			3.6%	5.2%
Climate Value-at-Risk using MSCI 2°C NGFS REMIND disorderly scenario	Physical risks		-	-6.7%
	Transition risks		-	-12.7%
	Transition opportunities		-	0.7%
	Aggregate climate risks		-	-18.7%
<b>Risk self-assessment</b>				
Climate change risk self-assessment				yellow rating
Greenwashing risk self-assessment				yellow rating
<b>Targets monitored</b>				
Commitment #1	Net zero GHG emissions across Aegon BlackRock LifePath Flexi by 2050			
Ambition #1	Halving emissions across Aegon BlackRock LifePath Flexi by 2030			

19. As measured by MSCI green revenues, the recent-year percentage of revenue, or maximum estimated percent, a company has derived from products or services related to alternative energy, energy efficiency, green building, pollution prevention, sustainable water or sustainable agriculture.



We note that climate data trends may change as disclosure and data coverage improve. This is particularly true this year: the absolute emissions and carbon intensity metrics have increased, which may be explained by our significantly improved data coverage. Scope 3 emissions are currently all estimated by our data provider, and we expect to be able to report on data coverage of scope 3 emissions in future Scheme Years. The increase in data availability and data coverage explains the large increase in the proportion of investments with approved Science Based Targets initiative<sup>20</sup> targets and the proportion of investments aligned with climate opportunities.



### Case study:

#### Challenging our data provider to provide improved climate risk scenarios

We are in regular dialogue with our climate data provider MSCI, via Aegon UK, with the aim of improving the data we have access to. This is to reduce the risk that we make decisions based on misrepresentative or incomplete data. Whilst reviewing climate data over 2022, we identified that the scenarios offered by MSCI, specifically under a 1.5°C orderly transition, 1.5°C disorderly transition and 3°C failed transition scenario, were not giving consistent results with the widely accepted view that a failed transition will be more costly to society. We thus requested that Aegon UK engage in multiple discussions with MSCI over the Scheme Year to understand why the failed transition pathway underestimated the physical risk of a failed transition and to encourage MSCI to improve their methodology in the future. In July 2022, we were pleased to see that MSCI introduced new climate scenarios with improved physical risk, aligned with the IPCC scenarios. Since then, they have also released further improvements on transition risks. This is one reason why we have re-run our scenario analysis this year. We continue to challenge MSCI to improve the availability and accuracy of climate data it offers, especially regarding:

- scope 3 emissions,
- asset classes beyond corporate fixed income and listed equity,
- forward-looking metrics such as climate value-at risk and implied temperature rise,
- climate data and insights beyond traditional net-zero factors, such as nature and a just transition.

20. The Science Based Targets initiative was established in 2015 to help companies to set emission reduction targets in line with climate science and Paris Agreement goals.

# Metrics and targets

In this section we set out:

- climate metrics for the Scheme's most popular default arrangement, including for Members at different stages of their retirement journey
- our progress on improving data coverage and priorities going forward
- the emission targets we have set for the Scheme's main default arrangement.

## Description of metrics

The climate metrics and targets in this section apply to the popular arrangement offered by the Scheme, as specified by the DWP Statutory Guidance. For the Scheme this is the Aegon BlackRock LifePath Flexi default arrangement. We believe that climate metrics are a valuable tool to assess climate-related governance, strategy and risk management across the Scheme and to hold us, as Trustees, accountable to the targets we have set on behalf of our Members.

All metrics were obtained via our data provider, MSCI, and calculated as of 31st December 2022. GHG emissions are calculated in line with the GHG Protocol, with emissions categories split into three distinct 'scopes', as defined by the GHG Protocol Corporate Standard<sup>21</sup>. Our reported climate metrics use carbon dioxide equivalents (CO<sub>2</sub>e) as a unit of measurement, which standardises the climate effects of various greenhouse gases<sup>22</sup>. The emissions metrics used are apportioned to Enterprise Value Including Cash (EVIC) expressed in British pounds, meaning that we allocate 'ownership' of greenhouse gas emissions across the total capital structure of the issuing company (equity and debt).

Since our last report, we have made the following changes:

- Included scope 3 emissions as per the new DWP requirement,
- Chosen a new portfolio alignment metric, implied temperature rise,
- Updated our carbon footprint metric to report in British pounds.

21. For a description of the three scopes defined by the GHG Protocol, please refer to [The Global GHG Accounting and Reporting Standard for the Financial Industry p.18](#).

22. Department for Work and Pensions (June 2022), Statutory guidance: [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)

**Table 10: Summary of climate metrics for our default arrangement Aegon BlackRock LifePath Flexi**

DWP metric category	Climate metric	Description	Asset classes covered	Emission scopes
Absolute Emissions	Total carbon emissions (tonnes CO <sub>2</sub> e)	Measures the carbon emissions for which an investor is responsible by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% Enterprise value including cash).	Listed equity and corporate fixed income	Scope 1, 2 and 3
Emissions Intensity	Carbon footprint (tonnes CO <sub>2</sub> e / £M invested)	Measures the carbon emissions, for which an investor is responsible, per million of British pounds invested, by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% enterprise value including cash).	Listed equity and corporate fixed income	Scope 1, 2 and 3
Additional metric	Data quality (%)	<p><b>Emissions – Estimated (%)</b>: emissions estimated by MSCI using sector analysis.</p> <p><b>Emissions – Reported (%)</b>: emissions reported directly by companies and collected by MSCI.</p> <p><b>Emissions – Not covered (%)</b>: No scope 1 or 2 emissions data reported/estimated.</p>	All asset classes. Data coverage gaps may result from lack of available data for a particular asset class e.g. sovereign debt or holdings not publishing their emissions' data.	Scope 1 & 2
Portfolio alignment metric	Implied temperature rise	The implied temperature rise, expressed in degrees Celsius (°C), estimates the global implied temperature rise (in the year 2100 or later) if the whole economy had the same carbon budget over-/undershoot level as the fund or portfolio in question.	Listed equity and corporate fixed income (representing over 70% of assets for the default arrangement, see Table 13)	



## Reported metrics for Aegon BlackRock LifePath Flexi

**Table 11: Climate metrics for Aegon BlackRock LifePath Flexi**

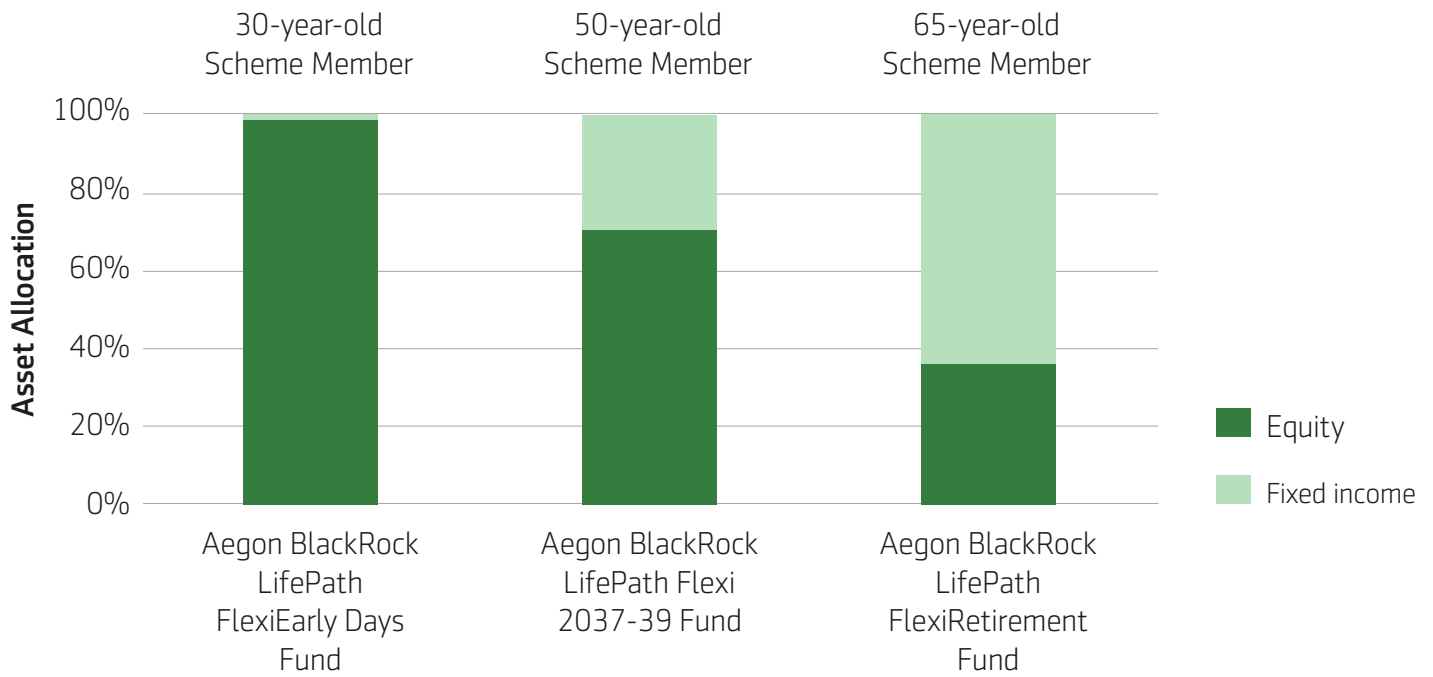
Climate metrics			2021-2022	2022-20 23
<b>Absolute emissions metric</b>				
Absolute emissions	Scope 1 & 2 tonnes CO <sub>2</sub> e		141,708	198,536
	Scope 3 tonnes CO <sub>2</sub> e		-	1,284,179
<b>Carbon intensity metric</b>				
Carbon footprint	Scope 1 & 2 tonnes CO <sub>2</sub> e/£M EVIC		44.4	56.2
	Scope 3 tonnes CO <sub>2</sub> e/£M EVIC		-	393.5
<b>Portfolio alignment metric</b>				
Implied temperature rise (degree celsius)			n/a	2.6°C
<b>Additional climate metric</b>				
Data quality (% total portfolio)	Scope 1 & 2 emissions - covered (%)	Estimated (%)	63%	14%
		Reported (%)		60%
	Scope 1 & 2 emissions - Not covered (%)	No coverage (%)	37%	27%

While the above data is helpful to understand the climate profile of the whole of Aegon BlackRock LifePath Flexi and to track progress against our net-zero target, the default arrangement is composed of funds that de-risk as a Member approaches retirement. The stage at which a Member is at in their journey towards retirement will affect the asset allocation of their individual portfolio. For example:

- A Member invested in the Aegon BlackRock LifePath Early Days fund will be invested in a portfolio of equity and equity-like instruments.
- A Member invested in the Aegon BlackRock LifePath At Retirement fund will be invested in predominantly fixed-income and similar instruments with a smaller equity component.

As a result, climate data will also vary depending on the asset allocation of a portfolio. For example, greater ESG integration in growth stages of portfolios with higher allocation to equities is likely to result in a less carbon intensive profile whilst a higher allocation to fixed income during the de-risking phase is typically associated with a less carbon intensive profile. But this may be due to the higher proportion of assets, such as sovereign debt, with no climate data. Consequently, we have also mapped the different carbon-intensity profiles of three Members aged 30, 50 and 65 in Figure 3 below. This is to demonstrate how carbon metrics vary across different Members depending on the different risk profiles and asset classes they are invested in.

**Figure 3: Asset allocation for the individual portfolios of three different Scheme Members invested in the Aegon BlackRock LifePath Flexi default**



**Table 11: Climate data reflecting the individual portfolios of three different Scheme Members invested in the Aegon BlackRock LifePath Flexi default, including associated emissions' metrics**

LifePath Funds	Aegon BlackRock LifePath Flexi Early Days Fund			
Date	Dec 19	Dec 20	Dec 21	Dec 22
Scope 1 & 2 emissions coverage	98%	99%	99%	99%
Financed carbon footprint Scope 1 and 2 tonnes CO2e/ £M invested EVIC	n/a	76	62	59
Financed carbon footprint Scope 3 tonnes CO2e/ £M invested EVIC	n/a	n/a	n/a	404
Sales carbon emissions intensit Scope 1 and 2 CO2e/ £M sales	208	188	166	139
Sales carbon emissions intensity Scope 3 CO2e/ £M sales	n/a	n/a	n/a	945

LifePath Funds	Aegon BlackRock LifePath Flexi 2037-39 Fund			
Date	Dec 19	Dec 20	Dec 21	Dec 22
Scope 1 & 2 emissions coverage	67%	68%	67%	75%
Financed carbon footprint Scope 1 and 2 tonnes CO2e/ £M invested EVIC	n/a	74	58	56
Financed carbon footprint Scope 3 tonnes CO2e/ £M invested EVIC	n/a	n/a	n/a	389
Sales carbon emissions intensit Scope 1 and 2 CO2e/ £M sales	226	192	166	138
Sales carbon emissions intensity Scope 3 CO2e/ £M sales	n/a	n/a	n/a	937

LifePath Funds	Aegon BlackRock LifePath Flexi Retirement Fund			
Date	Dec 19	Dec 20	Dec 21	Dec 22
Scope 1 & 2 emissions coverage	43%	47%	48%	48%
Financed carbon footprint Scope 1 and 2 tonnes CO2e/ £M invested EVIC	n/a	72	57	53
Financed carbon footprint Scope 3 tonnes CO2e/ £M invested EVIC	n/a	n/a	n/a	375
Sales carbon emissions intensit Scope 1 and 2 CO2e/ £M sales	242	198	178	141
Sales carbon emissions intensity Scope 3 CO2e/ £M sales	n/a	n/a	n/a	976

## Analysis and limitations of climate metrics

We have reflected on 2021 metrics versus 2022 for Aegon BlackRock LifePath Flexi. Firstly, we note that absolute emissions and carbon footprint have increased compared to last year. The increase can be explained in part by higher data coverage, a positive development to ensure we make decisions with more complete climate information. We have not included a benchmark as we are now comparing data between Scheme Years. Secondly, we specifically asked Aegon UK to work to increase data coverage from last year. Through collaborating with our data provider to improve fund mapping and liaising with key asset managers to obtain holdings of funds, our coverage increased by over 10%. In addition, we have spent time looking at the details and drivers of remaining data coverage gaps. Table 13 illustrates the data coverage split by asset classes for our portfolio.

- Our data coverage is excellent for equity and corporate fixed income, representing the majority of assets our Members are invested in.
- There is no industry consensus on the best methodology to use for reporting on sovereign debt emissions and we are currently not able to calculate these via our data provider.
- There is no methodology to measure emissions from cash and cash-equivalent.
- We have significantly increased our real estate coverage by improving how we identify Real Estate Investment Trusts, for which data quality is high.

**Table 12: Data quality per asset classes for Aegon BlackRock LifePath Flexi**

Asset classes	Data quality for Aegon BlackRock LifePath Flexi (Scope 1 and 2 emissions covered in %)	% AUM of Aegon BlackRock LifePath Flexi
Equity	99.7%	67.8%
Sovereign debt	0%	25.3%
Corporate fixed income	96.8%	5.7%
Cash and equivalent	0%	0.9%
Real estate	99.5%	0.3%

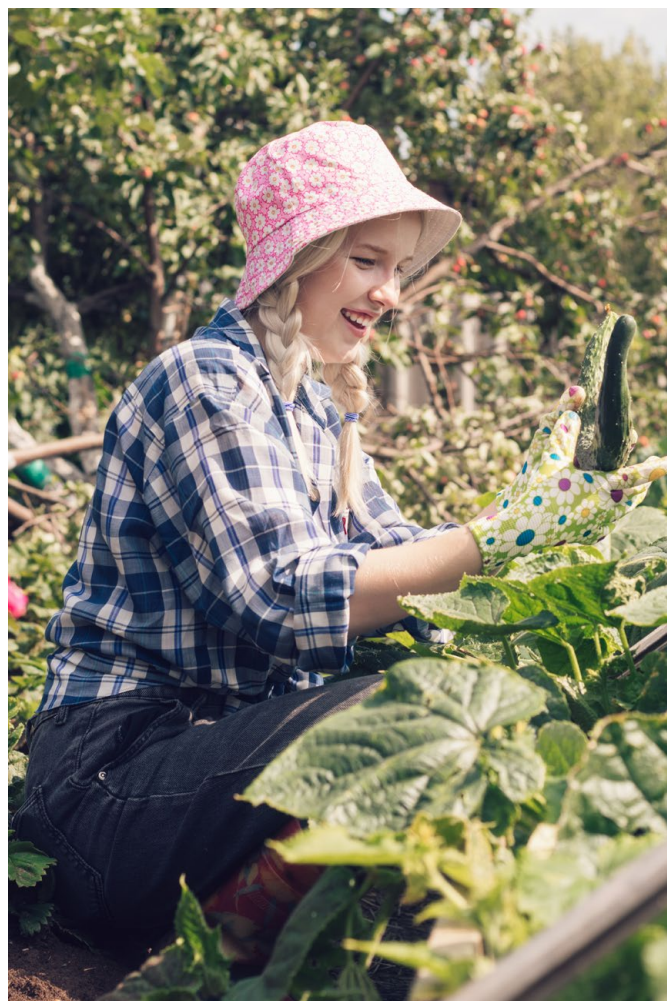


While having two years of data is helpful to begin to understand the climate impact of the Scheme's main default arrangement, we remain mindful of key limitations to current data, as per the below:

- We are currently not reporting data for sovereign debt. We have requested that Aegon UK provides us with the latest industry guidance and possible methodologies for us to do so. We recognise the emergence of industry guidance on sovereign debt such as Partnership for Carbon Accounting Financials (PCAF) standards<sup>23</sup> but we note there is no single publicly available source of data or commonly agreed industry methodology. We have asked Aegon UK to report progress and activities on this topic in the next Scheme Year and expect them to report on their industry engagement and data provider advocacy activities.
- MSCI do not verify emissions data, and their estimated emissions are based on companies within a sector that self-reports. Consequently, there may be some inaccuracies in the reported emissions data used to calculate the above metrics, due to a lack of industry-wide company emissions auditing and regulation. This is particularly significant for scope 3 emissions which are all currently estimated, although they represent the majority of the carbon footprint of the financial sector. We will continue to monitor our scope 3 estimations and work with the industry to improve disclosures across scope 1, 2 and 3.

- We understand there are limitations regarding the calculation of implied temperature rise. In February 2022, our service provider, Aegon UK fed into the MSCI implied temperature rise consultation to improve calculation methodology. Improvements, including aligning with a 1.5°C industry standard, are expected to be released this summer so they will not be reflected in this year's report. As a result, we recommend considering implied temperature rise in conjunction with other metrics in this report.

We recognise there is more to do to enhance our reporting capabilities. We will therefore continue to challenge Aegon UK and our data provider on the above, as well as contribute where possible to developing industry methodologies. We welcomed the year-on-year improvement in our data disclosures and would like to see a greater transparency and consistency of emissions reporting across the industry.



23. Partnership for Carbon Accounting Financials (December 2022), [The Global GHG Accounting and Reporting Standard for the Financial Industry](#)

## Progress against our net-zero targets

Annual absolute emissions and emissions intensity metrics help us track progress towards our net-zero targets. We have committed our default arrangement, Aegon BlackRock LifePath Flexi, to be net-zero greenhouse gas emissions by 2050. Furthermore, our medium-term net-zero target is to halve the carbon footprint of this fund by 2030 against a 2019 baseline, measured in tonnes of CO<sub>2</sub> equivalent per millions of pounds invested using EVIC.

As the main default arrangement, Aegon BlackRock LifePath Flexi is where the majority of our Members are invested and where they expect us to have a robust approach to climate change management, on their behalf. Our net-zero targets are aligned with our fiduciary duty and responsible investment beliefs. Our targets apply to listed equity, corporate fixed income and real estate investment trusts for scope 1, 2 and 3 emissions. They do not apply to asset classes with no methodologies to account for emissions data (e.g. cash, sovereign debt, commodities and alternative assets) but we expect that the scope of our target may widen to other areas of the Scheme over time. For example, we are currently working to explore how we could monitor the climate metrics of sovereign debt.

The progress being made in relation to BlackRock LifePath Flexi 2050 net-zero target is shown in Table 11 above, as at 31 December 2022. Whilst carbon footprint has increased since the 2021-22 Scheme Year, we believe we are still making progress towards our 2030 target by having improved data coverage and having significantly increased our net-zero alignment with BlackRock (see case study below). We do not expect the decarbonisation of Aegon BlackRock LifePath Flexi to be linear but instead expect year-on-year variations together with a general trajectory towards net-zero.



## Case study:

### Challenging BlackRock to set a climate target for BlackRock LifePath

During the 2021-22 Scheme Year we identified a risk of us not meeting our net-zero targets if we did not successfully partner with BlackRock. As a result, we increased our engagement with BlackRock throughout 2022 and requested that Aegon UK did the same. This included asking BlackRock to consider the adoption of a climate target for BlackRock LifePath. BlackRock LifePath had no specific climate target built into its objectives, despite BlackRock already having taken action to increase the fund's asset under management screened and/or optimised for ESG factors. Following our engagement, BlackRock proposed the addition of a target to halve carbon emissions intensity by sales across BlackRock Lifepath by 2029. In December 2022, the BlackRock LifePath investment strategy formally incorporated an ESG policy, which includes a climate objective and other sustainability-related objectives, into its fund prospectus. The update includes the aim to:

- Achieve a reduction of 50% in carbon emissions intensity by sales over a 10-year period (starting from July 2019)
- Invest a minimum of 80% of the assets held in corporate issuers in ESG screened/optimised strategies
- Invest a minimum of 80% of the assets held in sovereign debt issuers in strategies with an ESG sovereign rating of BB or higher
- Provide additional flexibility to invest in non-index funds.

We see this proposal as the first step towards creating a net-zero transition plan for Aegon BlackRock LifePath Flexi, which helps us mitigate the risk of the Scheme not meeting its net-zero targets. We will continue to engage with BlackRock on their delivery plan to meet the 2029 target. This includes using stewardship to support emissions reduction in the underlying investee companies, and sector and strategy-specific decarbonisation pathways.





# Looking ahead

We hope this report has provided insight into how we manage climate risks and opportunities for our Members. It is clear to us, climate management and associated disclosures are fast-evolving areas. Consequently, we will continue to review and assess our performance yearly, in line with new data, our Members' expectations, and market developments. Whilst we are pleased with the foundations we have put in place to identify and address climate risks for Members, we expect we will continue to build our climate understanding and evolve our approach, in particular for transitioning Aegon BlackRock LifePath Flexi to net zero by 2050.

Going forward we will continue to:

- Measure our decarbonisation progress and regularly review the strength of our net-zero targets
- Monitor our asset managers' approach to climate risks and implementation of robust climate management, in line with our requirements and expectations, and challenge them where necessary
- Work in partnership with key service providers to improve the data we have access to for our climate-related decision making.

In the short-term we anticipate further progress for our Members to come from:

- Updating our statement of investment principles to incorporate our new responsible investment beliefs and to reflect the availability of the new AMT Fund Range, in accordance with regulatory requirements
- Implementing our new expressions of wish approach and reviewing the alignment of our asset managers with our expectations, in relation to most significant votes, for the 2023 annual general meeting season
- Continuing to upskill ourselves on emerging areas related to climate change, such as biodiversity, so we can improve how these are addressed in our investment strategy.

In our view, climate change is a systemic issue: it requires global collaboration to smoothly transition the economy to net zero. We thus welcome regulatory developments driving additional climate transparency and accountability. As per our fiduciary duty and our responsible investment beliefs, we will continue to encourage market collaboration towards common goals benefiting our Members' investments and the world they live in.

## Appendix

The table below outlines the assumptions underpinning our 1.5°C orderly scenario, 2°C disorderly and 4°C failed transition scenarios in the strategy section.

Fund Name		1.5°C orderly scenario	2°C disorderly scenario	4°C failed transition scenario	
World population	Peak year	2070	2070	2070	
	in 2100 (million)	9019	9019	8990	
GDP	Real GDP growth 2010-2100 (CAGR)	2%	2%	2.3%	
Electricity generation by fuel source	2030 energy mix	% renewables	72%	41%	30%
		% nuclear	6%	6%	18%
		% gas	17%	26%	21%
		% coal	4%	28%	31%
	2050 energy mix	% renewables	94%	94%	50%
		% nuclear	3%	4%	15%
		% gas	3%	3%	15%
		% coal	0%	0%	20%
Carbon sequestration (MtCO <sub>2</sub> /year)	Uptake (surpasses 5000 Mt/year)	2037	2050	2055	
	Carbon sequestration peak (Mt/year)	8779	5926	12311	
Low-carbon fuel sources in transport	2050 low carbon fuel sources (%)	26%	26%	4%	
GHG emissions	Peak year	2020	2030	2020	
	90% reduction achieved by	2045	2049	N/A	
	Zero emissions achieved by	2055	2060	N/A	
	Annual change – 2020-2030 (Compound Annual Growth Rate)	-7.1%	0.7%	-0.4%	
	Annual change – 2020-2050 (Compound Annual Growth Rate)	-11.7%	-8.1%	-0.7%	

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# Appendix 6

## Fund investment returns by share class

The tables below show the investment returns after the deduction (net) of the relevant annual management charge, fund expenses and transaction costs for various periods to the end of the Scheme Year.

Each Member's Annual Statement will show the share classes for the funds a Member holds. A share class is a portion of the fund set up to allow for different expenses and fees. All share classes of a fund invest in the same assets and have the same investment objectives. As the expenses and fees differ per share class, and those fees are deducted from the gross returns, each share generates its own return.

The following tables show the investment returns for each fund over 1, 3 and 5 years after charges. By identifying the share class a Member holds they can see the actual return their investment in a fund has generated.

The net investment return data was produced in accordance with the DWP statutory guidance, Reporting of costs, charges, and other information: guidance for trustees and managers of occupational schemes – effective from 21 October 2022.

Source: Aegon, returns to 31 March 2023. Please note the text (BLK) has been omitted from fund name for this layout. N/A relates to share classes that did not exist for all periods shown.



## Growth Stage:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath 2034-2036	DCLPFL35-N	Class N (Gross)	-8.48	8.90	4.86
	DCLPFL35_W	Class W	-8.67	8.67	N/A
	DCLPFL35J	Class J	-8.62	8.73	N/A
	DCLPFL35I5	Class I5	-8.66	8.69	N/A
	DCLPFL35D	Class D	-8.69	N/A	N/A
	DCLPFL35_P	Class P	-8.65	8.70	4.65
	DCLPFL35-N	Class I1	-8.48	8.90	4.86
	DCLPFL35-E	Class E	-8.92	8.37	4.34
	DCLPFL35-H	Class H	-8.74	8.59	4.56
	DCLPFL35-Q	Class Q	-8.69	8.64	4.60
	DCLPFL35-Y	Class Y	-8.83	8.48	4.45
	DCLPFL35-G	Class G	-8.79	8.54	4.50
	SHR_OGPHEM	Class I7	-8.72	8.61	4.57

## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %	
Aegon BlackRock LifePath 2037-2039	DCLPFL38-N	Class N (Gross)	-7.83	10.24	5.45
	DCLPFL38_W	Class W	-8.03	9.99	N/A
	DCLPFL38J	Class J	-7.98	10.06	N/A
	DCLPFL38I5	Class I5	-8.02	10.02	N/A
	DCLPFL38D	Class D	-8.05	N/A	N/A
	DCLPFL38_P	Class P	-8.01	10.03	5.25
	DCLPFL38-I	Class I1	-7.96	10.08	5.31
	DCLPFL38-E	Class E	-8.28	9.70	4.94
	DCLPFL38-H	Class H	-8.10	9.92	5.15
	DCLPFL38-Q	Class Q	-8.05	9.97	5.20
	DCLPFL38-Y	Class Y	-8.19	9.81	5.04
	DCLPFL38-G	Class G	-8.15	9.86	5.10
	SHR_ZS5ULD	Class I7	-8.08	9.94	5.17

## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %	
Aegon BlackRock LifePath 2040-2042	DCLPFL41-N	Class N (Gross)	-7.10	11.56	6.00
	DCLPFL41_W	Class W	-7.30	11.32	N/A
	DCLPFL41J	Class J	-7.25	11.39	N/A
	DCLPFL41I5	Class I5	-7.29	11.34	N/A
	DCLPFL41D	Class D	-7.32	N/A	N/A
	DCLPFL41_P	Class P	-7.28	11.35	5.80
	DCLPFL41-I	Class I1	-7.23	11.41	5.85
	DCLPFL41-E	Class E	-7.55	11.02	5.48
	DCLPFL41-H	Class H	-7.37	11.24	5.69
	DCLPFL41-Q	Class Q	-7.32	11.29	5.74
	DCLPFL41-Y	Class Y	-7.46	11.13	5.59
	DCLPFL41-G	Class G	-7.42	11.19	5.64
	SHR_LX8DCF	Class I7	-7.35	11.26	5.71



## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %	
Aegon BlackRock LifePath 2043-2045	DCLPFL44-N	Class N (Gross)	-6.46	12.90	6.55
	DCLPFL44_W	Class W	-6.66	12.66	N/A
	DCLPFL44J	Class J	-6.60	12.72	N/A
	DCLPFL44I5	Class I5	-6.65	12.68	N/A
	DCLPFL44D	Class D	-6.67	N/A	N/A
	DCLPFL44_P	Class P	-6.63	12.69	6.35
	DCLPFL44-I	Class I1	-6.59	12.74	6.40
	DCLPFL44-E	Class E	-6.91	12.35	6.03
	DCLPFL44-H	Class H	-6.73	12.58	6.24
	DCLPFL44-Q	Class Q	-6.68	12.63	6.29
	DCLPFL44-Y	Class Y	-6.82	12.46	6.14
	DCLPFL44-G	Class G	-6.78	12.52	6.19
	SHR_SIDYJF	Class I7	-6.71	12.60	6.26

## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath 2046-2048	DCLPFL47-N	Class N (Gross)	-5.55	14.05	7.05
	DCLPFL47_W	Class W	-5.74	13.80	N/A
	DCLPFL47J	Class J	-5.69	13.87	N/A
	DCLPFL47I5	Class I5	-5.74	13.82	N/A
Aegon BlackRock LifePath 2049-2051	DCLPFL50-N	Class N (Gross)	-5.34	14.72	7.34
	DCLPFL50_W	Class W	-5.54	14.48	N/A
	DCLPFL50J	Class J	-5.49	14.54	N/A
	DCLPFL50I5	Class I5	-5.52	14.50	N/A
Aegon BlackRock LifePath 2052-2054	DCLPFL53-N	Class N (Gross)	-4.83	15.19	7.56
	DCLPFL53_W	Class W	-5.03	14.94	N/A
	DCLPFL53J	Class J	-4.97	15.01	N/A
	DCLPFL53I5	Class I5	-5.01	14.96	N/A
Aegon BlackRock LifePath 2055-2057	DCLPFL56-N	Class N (Gross)	-4.53	15.37	7.63
	DCLPFL56_W	Class W	-4.74	15.12	N/A
	DCLPFL56J	Class J	-4.67	15.19	N/A
	DCLPFL56I5	Class I5	-4.72	15.15	N/A

## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath 2058-2060	DCLPFL59-N	Class N (Gross)	-4.52	15.36	7.63
	DCLPFL59_W	Class W	-4.73	15.11	N/A
	DCLPFL59J	Class J	-4.67	15.18	N/A
	DCLPFL59I5	Class I5	-4.71	15.14	N/A
Aegon BlackRock LifePath 2061-2063	DCLPFL62-N	Class N (Gross)	-4.52	15.36	7.61
	DCLPFL62_W	Class W	-4.72	15.11	N/A
	DCLPFL62J	Class J	-4.67	15.18	N/A
	DCLPFL62I5	Class I5	-4.71	15.14	N/A
Aegon BlackRock LifePath 2064-2066	DCLPFL65-N	Class N (Gross)	-4.51	15.36	7.62
	DCLPFL65_W	Class W	-4.72	15.11	N/A
	DCLPFL65J	Class J	-4.67	15.18	N/A
	DCLPFL65I5	Class I5	-4.71	15.14	N/A
Aegon BlackRock LifePath 2067-2069	DCLPFL68-N	Class N (Gross)	-4.51	15.37	7.59
	DCLPFL68_W	Class W	-4.72	15.12	N/A
	DCLPFL68J	Class J	-4.66	15.19	N/A
	DCLPFL68I5	Class I5	-4.70	15.14	N/A

## Growth Stage continued:

Net investment return %. The returns for the year vintages during the growth stage of Aegon BlackRock LifePath apply for Aegon BlackRock LifePath Flexi, Aegon BlackRock LifePath Retirement and Aegon BlackRock LifePath Capital.

Growth stage: (the growth stage returns apply to the Flexi, Retirement and Capital versions of Aegon BlackRock LifePath)

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath 2070-2072	DCLPFL71-N	Class N (Gross)	-4.51	15.38	7.57
	DCLPFL71_W	Class W	-4.70	15.10	N/A
	DCLPFL71J	Class J	-4.69	15.17	N/A
	DCLPFL71I5	Class I5	-4.71	15.16	N/A
Aegon BlackRock LifePath 2073-2075	DCLPFL74-N	Class N (Gross)	-4.54	15.35	7.54
	DCLPFL74_W	Class W	-4.75	15.07	N/A
	DCLPFL74I5	Class I5	-4.75	15.08	N/A
Aegon BlackRock LifePath 2076-2078	DCLPFL77N	Class N (Gross)	-4.49	15.37	N/A
	DCLPFL77W	Class W	-4.72	15.07	N/A
	DCLPFL77-J	Class J	-4.73	15.14	N/A
	DCLPFL77I5	Class I5	-4.73	15.08	N/A

## Final 10 years:

Net investment return for the final 10 years of all LifePath versions.

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath Flexi	DCLPFL-N	Class N (Gross)	-10.39	2.57	2.15
	DCLPFL_W	Class W	-10.58	2.34	N/A
	DCLPFLJ	Class J	-10.53	2.44	N/A
	DCLPFLI5	Class I5	-10.57	2.34	N/A
Aegon BlackRock LifePath Flexi 2022-2024	DCLPFL23-N	Class N (Gross)	-10.32	3.92	2.71
	DCLPFL23_W	Class W	-10.51	3.70	N/A
	DCLPFL23J	Class J	-10.46	3.76	N/A
	DCLPFL23I5	Class I5	-10.50	3.71	N/A
Aegon BlackRock LifePath Flexi 2025-2027	DCLPFL26-N	Class N (Gross)	-9.87	5.22	3.26
	DCLPFL26_W	Class W	-10.06	4.99	N/A
	DCLPFL26J	Class J	-10.01	5.05	N/A
	DCLPFL26I5	Class I5	-10.04	5.01	N/A
Aegon BlackRock LifePath Flexi 2028-2030	DCLPFL29-N	Class N (Gross)	-9.35	6.50	3.80
	DCLPFL29_W	Class W	-9.55	6.27	N/A
	DCLPFL29J	Class J	-9.50	6.33	N/A
	DCLPFL29I5	Class I5	-9.54	6.29	N/A
Aegon BlackRock LifePath Flexi 2031-2033	DCLPFL32-N	Class N (Gross)	-9.03	7.66	4.32
	DCLPFL32_W	Class W	-9.23	7.43	N/A
	DCLPFL32J	Class J	-9.18	7.49	N/A
	DCLPFL32I5	Class I5	-9.21	7.44	N/A

## Final 10 years continued:

Net investment return for the final 10 years of all LifePath versions.

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath Capital 2022-2024	DCLPCP23_W	Class N (Gross)	-2.99	2.92	N/A
	DCLPCP23J	Class W	-2.87	3.06	N/A
	DCLPCP23I5	Class J	-2.98	2.91	N/A
	DCLPCP26-N	Class I5	-5.75	4.71	3.14
Aegon BlackRock LifePath Capital 2025-2027	DCLPCP26_W	Class W	-6.01	4.42	N/A
	DCLPCP26J	Class J	-5.90	4.58	N/A
	DCLPCP26I5	Class I5	-6.02	4.41	N/A
Aegon BlackRock LifePath Capital 2028-2030	DCLPCP29-N	Class N (Gross)	-7.75	6.49	3.94
	DCLPCP29_W	Class W	-8.00	6.20	N/A
	DCLPCP29J	Class J	-7.90	6.33	N/A
	DCLPCP29I5	Class I5	-7.94	6.22	N/A
Aegon BlackRock LifePath Capital 2031-2033	DCLPCP32-N	Class N (Gross)	-9.09	7.64	4.31
	DCLPCP32_W	Class W	-9.33	7.36	N/A
	DCLPCP32J	Class J	-9.23	7.48	N/A
	DCLPCP32I5	Class I5	-9.26	7.40	N/A

## Final 10 years continued:

Net investment return for the final 10 years of all LifePath versions.

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath Retirement	DCLPRT-N	Class N (Gross)	-12.38	-5.93	-1.61
	DCLPRT_W	Class W	-12.66	-6.22	N/A
	DCLPRTJ	Class J	-12.42	-5.98	N/A
	DCLPRTI5	Class I5	-12.46	-6.14	N/A
Aegon BlackRock LifePath Retirement 2028-2030	DCLPRT29-N	Class N (Gross)	-10.66	4.97	3.06
	DCLPRT29_W	Class W	-10.86	4.73	N/A
	DCLPRT29J	Class J	-10.81	4.80	N/A
	DCLPRT29I5	Class I5	-10.84	4.73	N/A
	DCLPRT29D	Class D	-10.93	N/A	N/A
	DCLPRT29I6	Class I6	-10.98	N/A	N/A
	DCLPRT29_P	Class P	-10.83	4.77	2.87
	DCLPRT29I1	Class I1	-10.79	4.82	2.91
	DCLPRT29-E	Class E	-11.10	4.45	2.55
	DCLPRT29-H	Class H	-10.92	4.66	2.76
	DCLPRT29-Q	Class Q	-10.87	4.71	2.80
	DCLPRT29-Y	Class Y	-11.01	4.56	2.66
	DCLPRT29-G	Class G	-10.96	4.61	2.71



## Final 10 years continued:

Net investment return for the final 10 years of all LifePath versions.

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock LifePath Retirement 2031-2033	DCLPRT32-N	Class N (Gross)	-8.99	7.67	4.33
	DCLPRT32_W	Class W	-9.23	7.39	N/A
	DCLPRT32J	Class J	-9.15	7.49	N/A
	DCLPRT32I5	Class I5	-9.24	7.38	N/A
	DCLPRT32D	Class D	-9.24	N/A	N/A
	DCLPRT32I6	Class I6	-9.31	N/A	N/A
	DCLPRT32_P	Class P	-9.16	7.47	4.13
	DCLPRT32I1	Class I1	-9.12	7.53	4.19
	DCLPRT32-E	Class E	-9.43	7.15	3.82
	DCLPRT32-H	Class H	-9.25	7.36	4.03
	DCLPRT32-Q	Class Q	-9.21	7.42	4.08
	DCLPRT32-Y	Class Y	-9.34	7.26	3.93
	DCLPRT32-G	Class G	-9.30	7.31	3.98

## Final 10 years continued:

Net investment return for the final 10 years of all LifePath versions.

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock (30:70) Currency Hedged Global Equity	DCGEIF-N	Class N (Gross)	-3.30	14.99	6.97
	DCGEIF-U	Class U	-3.57	14.67	6.63
	DCGEIF-Q	Class Q	-3.51	14.74	6.73
	DCGEIF-H	Class H	-3.56	14.68	6.67
	SHR_PP1NLL	Class I11	-3.68	14.53	6.54
	SHR_6IDATQ	Class IV	-3.83	14.39	6.44
	SHR_VOHCTX	Class I6	-3.54	14.71	6.67
	DCGEIFI3	Class I3	-3.47	14.79	N/A
	DCGEIFI4	Class I4	-3.48	14.78	N/A
	DCGEIFI1	Class I1	-3.42	N/A	N/A
	DCGEIFI7	Class I7	-3.57	N/A	N/A

## Net investment return for Core investment funds:

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock Emerging Markets Equity Index	DCAEME-N	Class N (Gross)	-6.33	8.28	1.64
	DCAEME-Q	Class Q	-6.65	7.90	1.31
	DCAEME-W	Class W	-6.75	7.79	1.21
	DCAEME-J	Class J	-6.61	7.95	1.34
	DCAEME-IV	Class IV	-6.64	7.91	N/A
	DCAEMEI4	Class I4	-6.55	8.02	N/A
Aegon BlackRock Market Advantage	DCALMA-N	Class N (Gross)	-7.94	2.50	0.74
	DCALMA-Q	Class Q	-8.23	2.19	0.44
	DCALMA-D	Class D	-8.24	2.17	0.42
	DCALMA-W	Class W	-8.32	2.09	0.34
Aegon BlackRock HSBC Islamic Global Equity Index	DCHAF-N	Class N (Gross)	-2.85	16.97	15.11
	DCHAF-D	Class D	-3.66	15.98	14.14
	DCHAF-H	Class H	-3.37	16.33	14.48
	DCHAF-J	Class J	-3.27	16.45	14.59
	DCHAFI4	Class I4	-3.28	16.46	N/A
	DCHAF-I2	Class I2	-3.22	16.51	14.65
Aegon BlackRock UK Equity Index	DCUKEIF-N	Class N (Gross)	2.32	13.44	4.79
	DCUKEIF_P	Class P	2.19	13.30	4.68
	DCUKEIF-S	Class S	1.87	12.94	4.36
	DCUKEIF-Y	Class Y	1.97	13.05	4.47
	DCUKEIFI8	Class I8	2.20	13.31	N/A
	DCUKEIF13	Class I3	2.18	13.29	N/A

## Net investment return for Core investment funds continued:

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
	DCXUKEI-N	Class N (Gross)	-1.29	16.53	11.11
	DCXUKEI-S	Class S	-1.73	16.02	10.62
	DCXUKEI-D	Class D	-1.51	16.28	10.87
	DCXUKEI13	Class I3	-1.43	16.37	N/A
	DCXUKEI12	Class I2	-1.39	16.42	11.00
Aegon BlackRock Cash	E_MLPF-N	Class N (Gross)	2.19	0.81	0.79
	E_MLPF-D	Class D	1.88	0.51	0.49
	E_MLPF-G	Class G	1.98	0.61	0.59
	E_MLPF-H	Class H	2.04	0.66	0.64
Aegon BlackRock Over 15 Year Gilt Index	DC15GIF-N	Class N (Gross)	-29.98	-16.74	-6.39
	DC15GIF-H	Class H	-30.16	-16.95	-6.62
	DC15GIF-J	Class J	-30.05	-16.82	-6.48
	DC15GIF-K	Class K	-30.11	-16.89	-6.56
	SHR_GZ50YP	Class I8	1.83	0.46	0.44
	DC15GIF13	Class I3	-30.08	-16.85	N/A
Aegon BlackRock Corporate Bond	DCHIBF-N	Class N (Gross)	-7.97	-0.43	0.54
	DCHIBF-B	Class B	-8.67	-1.15	-0.21
	DCHIBF-D	Class D	-8.65	-1.17	-0.21
	DCHIBF-Y	Class Y	-8.42	-0.93	0.04
	DCHIBFQ	Class Q	-8.22	-0.72	N/A
	DCHIBF14	Class I4	-8.41	-0.92	N/A

Fund Name			1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock Diversified Growth (changed to Diversified Growth Plus)	DCTRP-N	Class N (Gross)	-2.31	6.94	4.40
	DCTRPAG	Class AG	-2.91	N/A	N/A
	SHR_THFQCJ	Class I8	-3.11	6.06	3.55
	DCTRP-CLI9	Class I9	-3.19	5.98	3.48
	SHR_GTWPPF	Class I10	-3.18	6.00	3.48
	DCTRP-J	Class J	-2.97	6.23	3.69
	DCTRP-L	Class L	-3.26	5.91	3.37
Aegon BlackRock Pre-Retirement	MLP-N	Class N (Gross)	-17.10	-8.26	-2.58
	MLP-D	Class D	-17.51	-8.71	-3.06
	MLP-G	Class G	-17.35	-8.53	-2.87
	MLP-T	Class T	-17.51	-8.71	-3.06
	DCGPI5	Class I5	-17.31	-8.50	N/A
Aegon Property	DCPF-N	Class N (Gross)	-15.29	2.55	2.33
	DCPF-D	Class D	-16.29	1.35	1.12
	DCPF-J	Class J	-16.05	1.65	1.42
	DCPF11	Class I1	-15.92	1.81	N/A
Aegon BlackRock Over 5 Year Index-Linked Gilt Index	DC05ILG-N	Class N (Gross)	-29.52	-10.38	-4.08
	DC05ILG-F	Class F	-29.71	-10.63	-4.35
	DC05ILG-G	Class G	-29.78	-10.69	-4.39
	DC05ILGI8	Class I8	-29.60	-10.49	N/A
	DC05ILGI3	Class I3	-29.61	-10.51	N/A
Aegon BlackRock LGIM Ethical Global Equity Index	DCLGEGI-N	Class N (Gross)	0.85	17.65	12.07
	DCLGEGI-W	Class W	0.30	17.00	11.46
	DCLGEGI-D	Class D	0.20	16.89	11.35
	DCLGEGI-Y	Class Y	0.25	16.95	11.41

## Net investment returns for funds used within Bespoke Notional Section default strategies.

### Sun Life of Canada 2015 Employee Pension Plan bespoke default strategy

On 22 June 2022, Members in the Sun Life of Canada 2015 Employee Pension Plan Bespoke Notional Section were moved from a bespoke default strategy to Aegon BlackRock LifePath strategies. The Trustees, therefore, will not be providing net investment return data for the Sun Life of Canada 2015 Employee Pension Plan bespoke default strategy for this Scheme Year.

### The SG Retirement Savings Plan bespoke default strategy

Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
SG Property Blend	DCMGPPPSG	-9.84	N/A	N/A

Source: Aegon, returns to 31 March 2023. Please note the text (BLK) has been omitted from fund name for this layout. N/A relates to share classes that did not exist for all periods shown.

## Net investment returns for funds used within self-select range for Bespoke Notional Sections:

The MacIntyre Group Pension Scheme				
Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	DC15CBI-Y	-23.59	-8.70	-3.74
Aegon BlackRock 40/60 Global Equity Index (BLK)	DC40GEI-Y	0.02	15.06	8.42

Sun Life of Canada 2015 Employee Pension Plan				
Fund Name		1 Year Ann. %	3 Year Ann. %	5 Year Ann. %
Aegon BlackRock European Equity Index (BLK)	DCAEE-F	7.61	15.29	7.59
Aegon AM Ethical Equity (BLK)	DCAEGE-T	-8.79	6.28	0.92
Aegon BlackRock Japanese Equity Index (BLK)	DCAEE-FA	1.67	7.69	3.81
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE-F	-4.29	13.48	4.64
Aegon BlackRock US Equity Index (BLK)	DCAUE-F	-3.26	17.70	13.27
Aegon BlackRock Balanced Growth (BLK)	DCBGF-T	0.90	10.55	6.16
Aegon BlackRock All Stocks UK Gilt Index (BLK)	DCBPLASG-F	-16.46	-9.38	-3.28
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBAS-F	-10.64	-3.37	-1.05
Aegon LGIM Pre-Retirement (BLK)	DCLGP-W	-19.81	-8.61	-3.37
Aegon BNY Mellon Real Return (BLK)	DCNRRF-M	-4.21	4.62	3.48
The Sun Life of Canada Fund	DCS3CF_P	5.04	5.04	5.04



**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>KPMG Deferred Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock US Equity Index (BLK)	DCAUE-I2	-3.03	17.97	13.47
Aegon BlackRock European Equity Index (BLK)	DCAEE-I2	7.84	15.54	7.79
Aegon BlackRock Japanese Equity Index (BLK)	DCAEEE-I2	1.89	7.93	3.80
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPEIV	N/A	N/A	N/A
Aegon Threadneedle UK Social Bond Fund	DCTUSBIV	N/A	N/A	N/A

<b>The Anglo American UK Pension Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock US Equity Index (BLK)	DCAUE-K	-3.16	17.81	13.38
Aegon BlackRock European Equity Index (BLK)	DCAEE-K	7.72	15.40	7.70
Aegon BlackRock Japanese Equity Index (BLK)	DCAJE-K	1.77	7.80	3.92
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPE-K	-4.20	13.60	4.75

**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>SG Retirement Savings Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock US Equity Index (BLK)	DCAUEI3	-3.13	N/A	N/A
Aegon BlackRock European Equity Index (BLK)	DCAEEI3	7.76	N/A	N/A
Aegon BlackRock Japanese Equity Index (BLK)	DCAJEI3	1.81	N/A	N/A
Aegon BlackRock Pacific Rim Equity Index (BLK)	DCAPEI3	-4.17	N/A	N/A
Aegon BlackRock MSCI Currency Hedged World Index (BLK)	DCCHMSCI4	-6.64	N/A	N/A
Aegon BlackRock UK Special Situations (BLK)	DCUKSS-14	-7.16	10.13	N/A
SG Passive Global Equity Fund	DCSGPGESG	-2.32	N/A	N/A
SG Active Global Equity Fund	DCMFSGSG	1.45	N/A	N/A
SG Diversified Growth Fund	DCSGDGSG	-4.16	N/A	N/A
Aegon BlackRock Absolute Return Bond (BLK)	DCARBF-CI8	0.26	2.40	0.61
Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	DCCBASI3	-10.51	N/A	N/A
Aegon BlackRock All Stocks UK Gilt Index (BLK)	DCCBASI3	-10.51	N/A	N/A
Aegon BlackRock Index-Linked Gilt (BLK)	DC1I3	-30.52	N/A	N/A
Aegon Baillie Gifford Positive Change	DCABGPCR	-9.35	N/A	N/A
Aegon HSBC Developed World Sustainable Equity Index	DCHSDWSR	-2.99	N/A	N/A
Aegon Ninety One Global Multi-Asset Sustainable Growth	DCIDGFR	-1.35	N/A	N/A

**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>Turner &amp; Townsend Pension Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Turner & Townsend Active Global Equity	DC5050G-T2	2.40	14.84	8.36
Turner & Townsend Passive Global Equity	DC40GEI-T2	0.15	15.21	8.57
Turner & Townsend Balanced Fund	DCCIF-T2	-0.94	8.68	5.42
Turner & Townsend Corporate Bond Fund	DC15CBI-T2	-23.49	-8.58	-3.61
Turner & Townsend Diversified Growth	DCTRF-T2	-2.91	4.75	2.67
Turner & Townsend Emerging Mkts Eq	DCAEME-T2	-6.67	7.88	1.27
Turner & Townsend Index Linked Gilt	DC05ILG-T2	-29.67	-10.58	-4.30
Turner & Townsend Pre-Retirement Bond	DCGP-T2	-17.35	-8.53	-2.90
Turner & Townsend Shariah Principles Equity	DCHAF-T2	-3.47	16.22	14.37
Turner & Townsend Socially Responsible Equity	DCLGEGI-T2	0.39	17.12	11.57

<b>Skanska DC2018 Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock Corporate Bond All-Stocks Index (BLK) (I3)	DCCBAS13 (Net)	-10.51	N/A	N/A
	DCCBAS-N (Gross)	-10.39	-3.10	-0.77

<b>Beales Deferred Section of the Aegon Master Trust</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	DC15CBI-S (Net)	-23.66	-8.78	-3.83
	DC15CBI-N (Gross)	-23.32	-8.38	-3.40
Aegon LGIM Ethical UK Equity Index (BLK) (C)	DCLGEUE-C (Net)	2.98	12.59	4.73
	DCLGEUE-N (Gross)	3.75	13.44	5.45

**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>Archant Pension Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock Diversified Growth Plus (BLK) (T)	DCTRP-T (Net)	-3.06	6.11	3.58
	DCTRP-N (Gross)	-2.31	6.94	4.40
Aegon BlackRock Cautious Diversified Growth (BLK) (T)	DCTRL-T (Net)	-0.57	2.61	1.57
	DCTRL-N (Gross)	-0.01	3.18	2.14
Aegon BlackRock 50/50 Global Equity Index (BLK) (Y)	DC50GEI-Y (Net)	2.06	14.21	6.67
	DC50GEI-N	2.42	14.61	7.04
Aegon LGIM Ethical UK Equity Index (BLK) (Y)	DCLGEUE-Y (Net)	3.24	12.87	4.92
	DCLGEUE-N (Gross)	3.75	13.44	5.45
Aegon Standard Life Corporate Bond (BLK) (T)	DCSLCBF-Y (Net)	-11.20	-3.71	-1.20
	DCSLCBF-N (Gross)	-10.71	-3.18	-0.64
Aegon BlackRock 70/30 Global Equity Index (BLK) (Y)	DC70GEI-Y (Net)	1.79	13.94	6.07
	DC70GEI-N (Gross)	2.15	14.34	6.44
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK) (Y)	DC15CBI-Y (Net)	-23.59	-8.70	-3.74
	DC15CBI-N (Gross)	-23.32	-8.38	-3.40
Aegon Standard Life Global Absolute Return Strategies (BLK) (T)	DCSLGAR-T (Net)	-8.55	-2.59	-1.53
	DCSLGAR-N (Gross)	-7.54	-1.51	-0.45
Aegon BlackRock Corporate Bond All-Stocks Index (BLK) (Y)	DCCBAS-Y (Net)	-10.70	-3.44	-1.12
	DCCBAS-N (Gross)	-10.39	-3.10	-0.77
Aegon BlackRock 40/60 Global Equity Index (BLK) (Y)	DC40GEI-Y (Net)	0.02	15.06	8.42
	DC40GEI-N (Gross)	0.37	15.46	8.80

**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>Archant Pension Plan continued</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock European Equity Index (BLK) (Y)	DCAEE-Y (Net)	7.53	15.21	7.51
	DCAEE-N (Gross)	7.91	15.61	7.89
Aegon BlackRock Japanese Equity Index (BLK) (Y)	DCAJE-Y (Net)	1.60	7.62	3.74
	DCAJE-N (Gross)	1.95	8.00	4.11
Aegon BlackRock Pacific Rim Equity Index (BLK) (Y)	DCAPE-Y (Net)	-4.36	13.40	4.57
	DCAPE-N (Gross)	-4.03	13.80	4.94
Aegon BlackRock 50/50 Global Growth (BLK) (T)	DC5050GG-T (Net)	2.40	14.84	8.36
	DC5050GG-N (Gross)	3.02	15.53	9.01
Aegon Invesco Pensions Managed (BLK) (T)	DCINVPM-T (Net)	-1.21	14.11	3.76
	DCINVPM-N (Gross)	-0.32	15.14	4.70
Aegon BlackRock UK Growth (BLK) (T)	MLDK_AGG-T (Net)	3.36	12.61	5.79
	MLDK_AGG-N (Gross)	3.99	13.29	6.39
Aegon BlackRock Pacific Growth (BLK) (T) (Pacific Growth is closed - figures supplied are for Pacific Flexible)	DCPACG-T (Net)	-4.83	12.13	4.34
	DCPACG-N (Gross)	-4.26	12.80	4.98
Aegon BlackRock Alpha Smaller Companies (BLK) (T)	DCASC-T (Net)	-13.14	13.54	4.45
	DCASC-N (Gross)	-12.62	14.22	5.08
Aegon BlackRock Index Linked Gilt (BLK) (T)	MLI-T (Net)	-30.70	-9.57	-4.51
	MLI-N (Gross)	-30.42	-9.21	-4.13
Aegon BlackRock UK Equity (BLK) (T)	DCUKDY-T (Net)	-8.85	7.53	3.14
	DCUKDY-N (Gross)	-8.18	8.32	3.89
Aegon LGIM Global Equity (60:40) Index (BLK) (Y)	DCLGGE-T (Net)	2.15	14.10	6.34
	DCLGG-N (Gross)	2.48	14.76	7.24
Aegon LGIM Pre-Retirement (BLK) (Y)	DCLGP-Y (Net)	-19.84	-8.65	-3.42
	DCLGP-N (Gross)	-19.51	-8.29	-3.03
Aegon LGIM North America Equity Index (BLK) (Y)	DCLGNAE-Y (Net)	-2.94	18.06	13.31
	DCLGNAE-N (Gross)	-2.53	18.55	13.77

**Net investment returns for funds used within self-select range for Bespoke Notional Sections continued:**

<b>Archant Pension Plan continued</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon LGIM Europe (ex UK) Index (BLK) (Y)	DCLGEXU-Y (Net)	7.67	15.15	7.49
	DCLGEXU-N (Gross)	8.17	15.67	7.97
Aegon BlackRock Sterling Bond (BLK) (T)	ML8-N (Net)	-15.67	-8.37	-2.59
	ML8-T (Gross)	-16.09	-8.83	-3.08

<b>The Mars Pet Nutrition 2019 Pension Plan</b>				
<b>Fund Name</b>		<b>1 Year Ann. %</b>	<b>3 Year Ann. %</b>	<b>5 Year Ann. %</b>
Aegon BlackRock Corporate Bond All-Stocks Index (BLK) (Y)	DCCBAS-N (Net)	-10.39	-3.10	-0.77
	DCCBAS-Y (Gross)	-10.70	-3.44	-1.12