Task Force on Climate-related Financial Disclosures (TCFD)

Introduction

Climate change represents one of the biggest risks to society, the economy, and financial institutions. Mitigating climate change, including the reduction of greenhouse gas (GHG) emissions, is a major global challenge. Aegon believes that governments, companies, and investors have a responsibility to mitigate climate change and its impacts, and facilitate a transition to a climate-resilient economy.

The present disclosure builds on earlier disclosures made since 2017. It is made on behalf of Aegon N.V., an integrated diversified international financial services group, as both an asset owner and an asset manager.

Similar to previous years, it follows the Task Force on Climate-related Financial Disclosures (TCFD)'s four-pillar framework to facilitate disclosure. Aegon strives to continuously enhance its reporting and business practices and welcomes feedback from stakeholders on the appropriateness and relevance of this disclosure.

Governance

Set up by the Corporate Sustainability team, Aegon's sustainability approach is overseen by the Global Sustainability Board (GSB). The GSB is a senior management committee established in December 2021, replacing the former Responsible Business & Investment Committee (RBIC), to enhance overall governance and oversight of our company-wide approach to sustainability. The GSB meets quarterly and advises the Management and Executive Boards on Aegon's strategic sustainability agenda, including two priority themes: climate change and inclusion & diversity. It is chaired by the CEO of Transamerica (who is also a member of Aegon's Management Board) and consists of senior-level representatives from across the company.

The GSB is supported in its mission by local sustainability boards that translate the global sustainability agenda into actions within local business units and provide market-relevant feedback.

With respect to climate change, the GSB is also supported by the Net-Zero Working Group (NZWG). The NZWG is tasked with undertaking the required analysis and coordination of actions on Aegon's General Account investments in support of our 2050 net-zero commitment and obligations under the Net-Zero Asset Owner Alliance. It draws on staff-level representation from across the company to generate insight and recommendations for the GSB on potential management actions.

Additional climate oversight is provided by the Group Risk & Capital Committee (GRCC), which oversees the Financial Risk function's climate scenarios that analyze the potential climate impacts on our accounts. There is also the Non-Financial Risk Committee (NFRC) which oversees the Operational Risk function's annual climate risk assessment that identifies possible physical and transition risks that could impact Aegon.

> **Case study: Transamerica Climate Risk Working Group**
> Transamerica has established a local cross-functional Climate Risk Working Group (CRWG) to assist in climate change risk oversight, determining activities necessary to comply with related regulatory requirements, and achieving organizational goals. The CRWG supports the Americas' Operational Risk Committee (AORC) and is responsible for reporting climate risk-related activities to not only the AORC but also the Transamerica Board Risk Committee, which has oversight of the implementation of the Enterprise Risk Management Framework including climate risk. As Transamerica's oversight of the risks and opportunities related to climate change matures the CRWG will continue to integrate its work into the relevant committees.

Strategy

At Aegon we have embedded sustainability as a central pillar within our company strategy. Aegon is committed to a responsible way of doing business and seeks to meet the increasing expectations of multiple stakeholders – investors, but also customers, employees, business partners, and the wider community. Through these engagements, Aegon has established two thematic sustainability priorities for our strategy: inclusion and diversity, and climate change. Both themes support our corporate purpose. As the effects of climate change become increasingly palpable, the need for action has never been more urgent, or more universal. Only then can people live their best lives.

As an insurance company, Aegon can support the transition to a climate-resilient economy and a net-zero world using both sides of its balance sheet. We finance the upside through our responsible investment activities, while mitigating the downside through integrating ESG into our risk management processes and the savings and protection solutions we provide. The influence, both positive and negative, we can have as an investor is particularly significant.

We have committed to transitioning our General Account investment portfolio to net-zero GHG emissions by 2050. To-date we have set a reduction target in the weighted average carbon intensity of our corporate fixed income and listed equity investments; by 25% for 2025 against a 2019 baseline. We will look to further substantiate this commitment over the coming years with additional science-based targets. Albeit at a smaller scale, Aegon is also committed to reducing GHG emissions from our direct operations. Finally, we aspire to further integrate climate considerations in our day-to-day processes, such as procurement.

Risks

Aegon undertakes a Business Environment Scan (BES) to identify macro-economic opportunities and challenges that are expected to have a high likelihood of occurring and a high impact on our business. The most recent BES included consideration of climate change and the loss of biodiversity. While the exposure of direct physical risks from environmental catastrophes and loss of biodiversity is expected to be limited for Aegon, we expect to be exposed to regulatory risks associated with new and emerging market requirements. As a result, we seek to further embed climate and environmental considerations in our business and investment decisions – both to avoid damaging the planet and to safeguard our reputation. See discussion of the Business Environment Scan for further detail (page 10).

For our life insurance business, most of our liabilities are exposed to mortality and morbidity rates, both the current levels and the uncertainty around how these will develop relative to our assumptions over the coming decades. An important driver when assessing the value of our liabilities is how past trends in longevity are extrapolated into the future. Climate change plays a role in the development of future mortality and morbidity rates, just like other factors – including the continuing COVID-19 pandemic, medical advancements, limits to human biology, and changes in lifestyle. The relationship between mortality and morbidity and climate change is complex, and the nature of the impact can also vary geographically. Furthermore, it is expected that climate change will have a relatively lower impact on longevity and health of the insured population compared with the general population, as this group is more affluent and is more likely to be able to better adapt to changing conditions. Taking all this into consideration, Aegon follows widely adopted industry methods where the extrapolation of future longevity is performed based on past experiences of mortality and morbidity rates, without separately modelling each of the underlying drivers such as climate change. With this approach the changing circumstances are gradually introduced into our assumptions.

In contrast, our investments are exposed to both physical and transition risks. While we expect the transition risks associated with policy and market actions intended to mitigate climate change to be most salient in the near term, the value of our holdings can reasonably be expected to be influenced by both these risks in the longer term. However, previous scenario analysis has shown that our relatively high allocation to fixed income, including government bonds, should limit our overall exposure.

For our property and casualty (P&C) business, we expect a more direct impact from climate change through, for example, higher claim frequencies arising from an increase in extreme weather events. However, prices for P&C insurance can be adjusted periodically. Prices are determined by closely monitoring past claim frequencies and adjusting the premiums over time while maintaining an adequate level of expected profitability.

Opportunities

As an investor, Aegon has an important role to play in supporting the climate transition. By making climate-smart investment choices, we can contribute to a cleaner, healthier environment and provide our clients with opportunities to minimize their own climate impacts. Climate change continues to be a focus of our investment strategy and is guided by our Responsible Investment Policy.

Case study: Net-Zero Asset Owner Alliance

In November 2021, Aegon N.V. joined the Net-Zero Asset Owner Alliance, an UN-convened group of institutional investors committed to transitioning their portfolios to net-zero GHG emissions by 2050. Through the analysis conducted by its business units, Aegon N.V. defined a specific, actionable target for 2025 and will continue to set targets in five-year intervals in line with the Alliance's principles.

Case study: Net Zero Asset Managers Initiative

In November 2021, Aegon Asset Management joined the Net Zero Asset Managers Initiative, a group of international asset managers committed to supporting investing aligned with net-zero GHG emissions by 2050. This commitment requires Aegon Asset Management to work in partnership with asset owner clients on decarbonization goals consistent with an ambition to reach net-zero emissions by 2050 across all assets under management, and set interim targets at five-year intervals for the share of assets managed in-line with net-zero principles.

Risk management

Identification and management

Climate change is a long-term risk associated with high uncertainty regarding timing, scope, and severity of potential impacts. 2021 saw no material changes to the overall climate risk identification, assessment, and evaluation processes described in previous years' disclosures.

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Case study: Global General Account scenario analysis

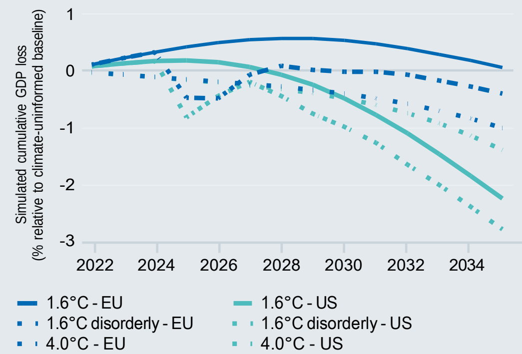
Aegon worked with Ortec Finance to perform an extensive and systematic climate risk assessment for the General and Separate Account assets of all business units within Aegon. The analysis investigated three plausible climate pathways (orderly, disorderly and failed transitions) to explore potential future climate policies, interventions, and consequences of the world failing to mitigate climate change. These pathways are in line with the industry standard IPCC and Network of Central Banks and Supervisors for Greening the Financial System (NGFS) emission and climate scenarios.

The employed climate model translates transition (i.e. policy & technological changes) and physical risks (i.e. gradual impact & extreme weather events) associated with climate change to produce a climate change adjusted economic and financial outlook. The model outcomes enable Aegon to identify portfolio weak spots - in terms of asset type, geography and sector - to aid decision making in responding to climate risk.

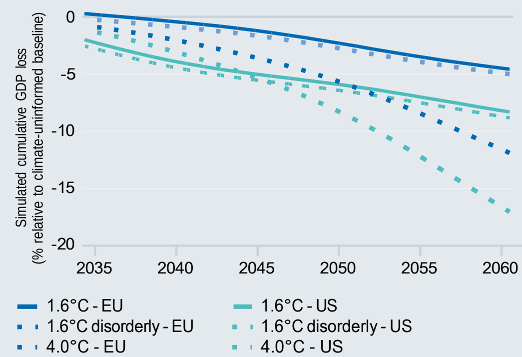
Modelling results indicate resilience of the Aegon General Account portfolio allocation to key systemic climate risk drivers across all modelled climate scenarios. High allocation of fixed income assets is the key driver that limits the cumulative climate-related impact on returns over a 40-year horizon. Continuing to monitor developments in climate science, policy, technology and consumer sentiment will remain critical for understanding and adapting to the future.

The results provide an initial directional signal; however, climate-related risks are dynamic in nature. Transition risks are expected to dominate in the near to medium term (certainly to 2030) if society is to achieve the objectives of the Paris Agreement while physical risks will materialize at any time as global temperatures continue to rise. As a result, continuing to monitor developments in climate science, policy, technology and consumer sentiment is critical for understanding and adapting to the future.

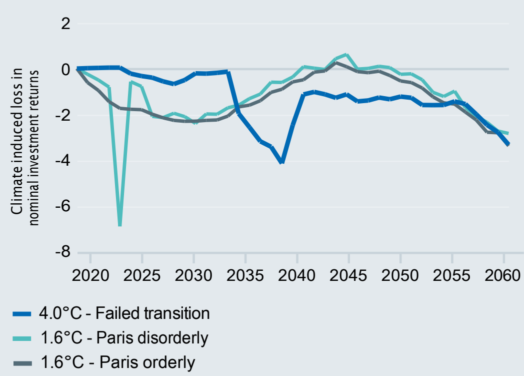
Short-term climate-induced GDP losses for EU & US
(in %)



Long-term climate-induced GDP losses for EU & US
(in %)



Climate impact on nominal investment return
(relative to baseline, in % cumulative)



Overview of Climate Scenarios Considered

Paris Orderly Transition	Paris Disorderly Transition	Failed Transition
Orderly transition pathway Net Zero by **2070**	**Disorderly** transition pathway Net Zero by **2070**	**Business-as-usual** (only currently committed transition efforts)
CO_2 emissions ~ **RCP2.6** Locked-in physical impacts of **1.6˚C** by 2100	CO_2 emissions ~ **RCP2.6** Locked-in physical impacts of **1.6˚C** by 2100	CO_2 emissions ~ **RCP8.5** Dramatic physical impacts of **4˚C** by 2100

Case study: Operational climate risk assessment

Aegon performs a regular operational assessment of its exposure to climate risk. The assessment uses research and position papers from renowned institutions as input and is executed in cooperation with subject matter experts from Aegon's risk, asset management and sustainability functions. In 2021, Aegon updated and enriched its assessment by incorporating findings from local climate risk assessments executed by Aegon's country units and developments captured in the United Nations' Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. The risk assessment identifies the relevant risks for the company and assesses severity per risk in terms of likelihood and impact and its manageability in terms of the speed of materialization and the possibilities for mitigation. The assessment concludes with recommendations and considerations to be taken forward and is included as part of our Own Risk Solvency Assessment (ORSA).

Active ownership

Engagement with corporates

As an institutional investor, Aegon expects investee companies to work toward reducing their environmental impact. We engage with the companies we invest in both individually and collectively through networks to encourage better climate-related risk practices, including emissions measurement, disclosure, target setting and reporting in line with TCFD recommendations.

Aegon and its business units are active members or participants in several collaborative initiatives targeting climate action, including but not limited to: Net-Zero Asset Owner Alliance, Net Zero Asset Managers Initiative, Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), and Climate Action 100+ (CA100+).

For further details on Aegon's active ownership activities, see the Responsible Investment and Active Ownership reports published by Aegon Asset Management.

Engagement with policymakers

Aegon acknowledges the importance and necessity of government action in addressing climate change. Engagement with policymakers is critical to shaping our investment environment, and we work independently and in collaboration with industry groups to engage on key climate issues.

At the European level, Aegon supports the goals of the EU strategy for financing the transition to a sustainable economy and recognizes the important role financial actors play in the transition. Aegon has engaged with officials and contributed to consultations on the corresponding sustainable taxonomy and ESG disclosure regulations, the incorporation of sustainability risks into the Solvency II regulatory regime, and the development of standards for the reporting of non-financial information. Aegon has also continued to advocate for action to complete the Capital Markets Union to unlock capital from institutional and cross-border investors to fund sustainable transition projects in Europe.

In the United States, Aegon has engaged with policymakers at both the federal and state levels to ensure appropriate climate-related regulation. Aegon has supported regulatory measures that appropriately differentiate between the climate exposures of life insurers and property-casualty insurers. At both the federal and state levels, Aegon has supported TCFD-based disclosure standards that would provide uniform and consistent information to stakeholders, while minimizing the potential for duplication and redundancy. Aegon expects that these efforts will support the transition to a more sustainable economy.

Metrics and targets

Own operations

Aegon measures and reports annually on its operational carbon footprint. Our main operations (the United States, the Netherlands, the United Kingdom, and AAM) have been carbon neutral since 2016 by reducing their facility-level emissions and supporting offset projects. In 2019, we extended the scope of our offsetting to cover all of our wholly-owned operations. An overview of our total operational emissions can be found on page 392, Value Created (Society/Operational Footprint).

In line with our net-zero commitment announced in November 2021, Aegon has set a supporting target to reduce the carbon footprint of its operational activities by 25% by 2025, compared to the 2019 baseline. The target includes the consumption of natural gas and electricity. In 2021, the carbon footprint of Aegon's operational activities was 54% lower than 2019. While some of these reductions can be traced to our initiatives to stimulate hybrid working - which for instance led to the closing of several offices in Iowa in 2021 - there has also been a temporary benefit from fewer employees in the office due to the COVID-19 pandemic, which we expect to reverse over time. Through implementing our hybrid working policy and other initiatives, we will work towards achieving our target. Aegon will also look towards expanding the scope of measurement of our greenhouse gas emissions and explore setting further targets against these in the future.

Investments and holdings

Targets

In late 2021, as part of its commitment to the Net-Zero Asset Owner Alliance, Aegon set initial targets for its investments. Following the guidance in the *Inaugural 2025 Target Setting Protocol*, for 2025 Aegon intends to reduce the weighted average carbon intensity of corporate fixed income and listed equity General Account assets by 25% against a 2019 baseline.

In 2021, the weighted average carbon intensity of our corporate fixed income and equity investments stayed flat, compared to 2019. At the end of 2021, our business units ensured our new commitment was captured in their investment mandates, as a first step towards our net-zero ambition.

Weighted Average Carbon Intensity of Corporate Fixed Income and Listed Equity

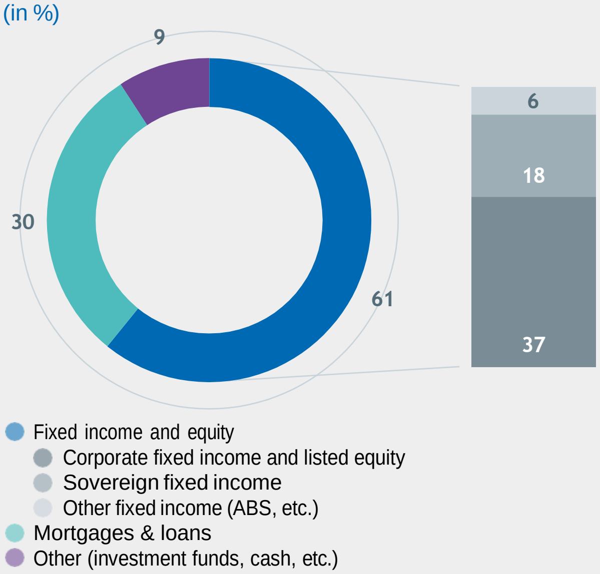
		2019	2021	Change
Weighted average carbon intensity	tCO_2e/EURm revenue	490	490	0%

Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Climate change data availability may change over time and characteristics will vary. Certain information ©2022 Sustainalytics, MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

Disclosure

Since 2020 we have extended the scope of measurement and reporting of the carbon footprint of our investments to our global General Account holdings. In 2021, we have updated the figures to better align with the scope of our reduction target.

Global general account by asset class
(in %)



Source: Aegon calculation. Values are as of December 31, 2021 and may not add up to 100% due to rounding.

Global General Account – Corporate Fixed Income and Listed Equity

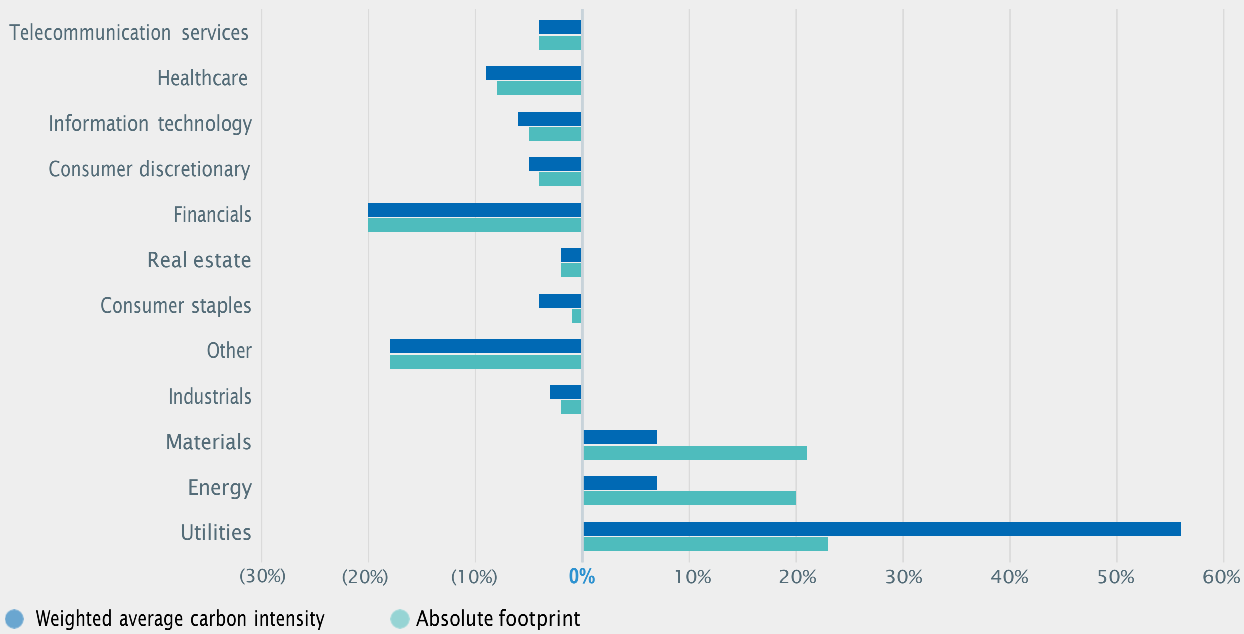
		Corporate FI	Coverage
Absolute footprint	tCO_2e	4,886,000	72%
Relative intensity	tCO_2e/EURm invested	110	72%
Weighted average carbon intensity	tCO_2e/EURm GDP	490	97%
Climate change resiliency	ND-GAIN rating	9.9	73%

Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Relative intensity, weighted average carbon intensity, and carbon risk values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary. Certain information ©2022 Sustainalytics, MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

Corporate fixed income and listed equity results are dominated by holdings in the utilities, energy, and materials sectors where their contribution to the footprint and intensity of the account greatly outweighs their financial position. The chart below provides an indication of active weight by sector against both the absolute footprint and weighted average carbon intensity (WACI).

Active contribution by sector

(in %)



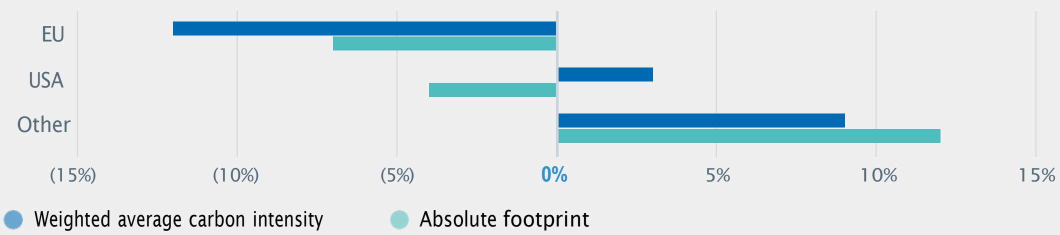
Global General Account – Sovereign Fixed Income

		Sovereign FI	Coverage
Absolute footprint	tCO_2e	15,088,000	100%
Relative intensity	tCO_2e/EURm invested	620	100%
Weighted average carbon intensity	tCO_2e/EURm GDP	310	100%
Climate change resiliency	ND-GAIN rating	67	100%

Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Relative intensity, weighted average carbon intensity and carbon vulnerability values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary.

While our largest sovereign holdings are in US and EU member state-issued bonds, the results are dominated by holdings from other countries, including emerging markets, where their contribution to the footprint and intensity of the account greatly outweighs their financial position. The chart below provides an indication of active weight by region against both the absolute footprint and weighted average carbon intensity (WACI).

Active contribution by region
(in %)



Methodology

Corporate fixed income and listed equity metrics were calculated following the Partnership for Carbon Accounting Financials (PCAF) guidelines and include scope 1 and 2 emissions. For sovereign assets, Aegon follows a "whole economy" approach based on country-level emissions and GDP. Weighted Average Carbon Intensity (WACI) was calculated in line with the TCFD's recommendations. Carbon risk for corporate issuers is measured using the Sustainalytics Carbon Risk Rating, while climate vulnerability for sovereign issues is measured using the Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index. Target figures are set in line with Net-Zero Asset Owner Alliance guidance.

Next Steps

Aegon will seek to continue to improve its climate change strategy, governance, and approach to risk and opportunity measurement and implementation in the coming years. For example, in 2022 we expect to further enhance our 2025 targets to meet Net-Zero Asset Owner Alliance membership requirements. As the company's experience with climate issues grows, Aegon will look to increase the breadth of disclosures and further incorporate climate considerations across the business as appropriate.

Capital	Indicator	2021	2020	Change 2019 to 2021[3]	2019
Society: Operational footprint					
	Greenhouse gas (GHG) emissions (metric tons CO_2e)[1]				
	Scope 1 (gas)	5,557	NM	(9.5%)	6,138
	Scope 2 (electricity gross/location)	16,366	NM	(54.1%)	35,659
	Scope 2 (electricity net/market)	203	NM	(60.7%)	516
	Scope 3 (air travel)	2,101	NM	(80.4%)	10,739
	Total GHG emissions (gross/location)	24,024	NM	(54.3%)	52,536
	Total GHG emissions / EUR million revenue (gross/location)	1.0	NM	(48.8%)	1.9
	Total GHG emissions / employee (gross/location)	1.3	NM	(52.4%)	2.8
	Total GHG emissions (net/market)	7,861	NM	(54.8%)	17,392
	Total GHG emissions / EUR million revenue (net/market)	0.3	NM	(49.4%)	0.6
	Total GHG emissions / employee (net/market)	0.4	NM	(53.0%)	0.9
	Operational reduction target[2]				
	Absolute reduction against baseline	(28,512)	NM	(54.3%)	NA
	Energy (MWh)				
	Fuel (gas)	27,288	NM	(9.0%)	30,002
Natural	Electricity (renewable)	49,283	NM	(39.4%)	81,282
	Green tariff / Renewable Energy Certificate (REC)	49,259	NM	(39.4%)	81,254
	Self-generated	24	NM	(11.5%)	28
	Electricity (non-renewable)	580	NM	(70.5%)	1,968
	Electricity (total)	49,863	NM	(40.1%)	83,249
	Energy (total of fuel and electricity)	77,151	NM	(31.9%)	113,252
	Renewable electricity (% of total electricity)	99%	NM	1pp	98%
	Renewable energy (% of total energy)	64%	NM	(8pp)	72%
	Air travel (million km)				
	Total distance	16.3	NM	(84.2%)	103.4
	Travel class as proportion of total distance				
	Economy	87%	NM	NA	NM
	Premium	13%	NM	NA	NM
	Route type as proportion of total distance				
	<500km	3%	NM	NA	NM
	>500km	97%	NM	NA	NM

NA – not applicable
NM – not measured
pp – percentage points

1 Operational GHG emissions are based on the energy consumption and air travel activity of our four largest business units (Transamerica, Aegon the Netherlands, Aegon UK and Aegon Asset Management), which in 2021 comprised 81% of our global (direct employee) headcount. GHG emissions are calculated according to the 'market' and 'location' based methodologies of the GHG Protocol, on a country-level basis and using locally applicable emission conversion factors. For the market-based measurement we source conversion factors for electricity consumption from individual suppliers, 99% of which is zero carbon through our purchase of renewable electricity in the form of 'green tariff' supply contracts and renewable energy certificates (RECs). For the location-based approach, we source conversion factors for electricity consumption from the Environmental Protection Agency (eGRID) for the US, from the European Environment Agency for the Netherlands and from the Department for Environment, Food & Rural Affairs (Defra) for the UK. Under both approaches, we source conversion factors for gas consumption from Defra (100% mineral for the US, and 5% biofuel blend for the Netherlands and the UK). Conversion factors for air travel are sourced solely from Defra due to applicability for all countries. As part of the calculation of GHG emissions, the underlying activity data is extrapolated to cover for unmeasured headcount.

2 Aegon has set a target to reduce the carbon footprint of its operational activities by 25% by 2025 against a 2019 baseline (using the location-based measurement). In 2021, the carbon footprint of Aegon's operational activities reduced by 54.3% compared with 2019. While some of these reductions can be traced to our initiatives to stimulate hybrid working for instance reductions in leased space across the US in 2021 there has also been a temporary benefit from fewer employees in the office due to the COVID-19 pandemic, which we expect to reverse over time. Through implementing our hybrid working policy and other initiatives, we will work towards achieving our target. Aegon will also look towards expanding the scope of measurement of our GHG emissions and explore setting further targets against these in the future.

3 Supporting data and calculation methodology for measurement of GHG emissions has been re-evaluated for the 2019 baseline year, and applied to the 2021 reporting year. Operational GHG emissions for 2020 have not been recalculated, and to avoid inconsistency have been omitted from reporting. The change expressed here concerns 2019 to 2021.

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