

## Background

On 7 September 2020 Kames Capital plc was renamed to Aegon Asset Management UK plc ('Aegon AM UK'). All disclosures herein are attributed to Aegon AM UK but refer to a period of time when it was named Kames Capital plc

These disclosures (available on the 'Disclosures' section of [www.aegonam.com](http://www.aegonam.com)) are prepared in accordance with Part 8 of the Capital Requirements Regulation, which is part of the framework for implementing Basel III in the European Union known as CRD IV. Basel III sets out certain capital adequacy, governance and disclosure requirements to be implemented by regulated firms. The framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements that we are required to meet as a Collective Portfolio Management Investment (CPMI) Firm, which operates with a limited licence
- Pillar 2 requires us, and the FCA, to take a view on whether additional capital is required to be held against risks which may or may not be covered by the regulatory capital required under Pillar 1; and
- Pillar 3 requires us to publish certain details of our capital, risk management processes and governance.

The European Union (EU) has finalised a new package of prudential regulation for investment firms which is expected to replace the current capital requirements rules that apply to Aegon AM UK. Although the UK has exited the European Union the FCA and Her Majesty's Treasury are expected to implement an equivalent version into UK law.

This document discloses key information about Aegon AM UK as at 31st December 2019. Some information may be provided 'as at' other dates where more recent information was available at the time of publishing or material changes have required to be disclosed. Such information will be clearly labelled and, in the absence of such labelling, all other information should be regarded as being correct 'as at' 31st December 2019. The contents of this document are produced at least annually in line with the date of publication of Aegon AM UK plc's statutory accounts.

Some disclosures may be omitted on the grounds that they are non-material, confidential or proprietary.

- Information is deemed material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.
- Information is regarded as proprietary if disclosing it would undermine a competitive position. Such information may include information on products or systems which, if shared with competitors, would render investments therein less valuable.
- Information is regarded as confidential where there are obligations to customers and counterparties which bind Aegon AM UK to confidentiality.

Where appropriate, we have published more general information on the subject matter of any waived disclosures.

Any required disclosures which are omitted are done so in conformity with the European Banking Authority's Guidelines, published 23 December 2014. Approval of these disclosures and any omissions is subject to approval by relevant business areas and, ultimately, the Board of Aegon AM UK.

In this document we disclose information on the following, unless it is has been determined as immaterial or of a proprietary or confidential nature:

- Our risk management objectives and policies;

- The scope of application of CRD IV requirements;
- Our capital resources;
- A summary of our approach to assessing the adequacy of our internal capital (ICAAP).

## Declaration and risk statement from the Board of Aegon AM UK

The Board takes responsibility for ensuring that the risk management framework implemented is suitable and effective in the face of the risks that the business encounters and takes. The Board considers these measures to be appropriate and adequate in line with Aegon AM UK's risk profile and business strategy.

The Board of Aegon AM UK sets the risk tolerance and appetites for the firm and does so through a process of quantitative and qualitative risk analysis undertaken by the business. Capital ratios are monitored to ensure that Aegon AM UK holds a sufficiently liquid and appropriate amount of capital which is calculated based upon the analysis of the risk that it faces.

Information about the risk management processes and methodologies are described within the risk management framework descriptions below.

## Scope and application of CRD requirements

The disclosures in this document are made in respect of Aegon AM UK, which provides segregated and wholesale fund management services.

Aegon Asset Management UK Holdings Ltd is the holding company.

Aegon AM UK is the UK arm of Aegon Asset Management (Aegon AM) which is a part of the Aegon NV group. Aegon AM UK is authorised and regulated by the Financial Conduct Authority and is additionally a registered investment advisor with the US Securities and Exchange Commission.

Aegon Asset Management Ltd is an unregulated subsidiary company of Aegon AM UK which acts as an appointed representative insurance intermediary. Its principals are listed on the Financial Services Register.

For the purposes of these disclosures, Aegon Asset Management UK Holdings Ltd, Aegon AM UK and Aegon Asset Management Ltd are consolidated for regulatory reporting purposes.



All subsidiaries are 100% owned by Aegon Asset Management UK Holdings Ltd. Target Healthcare General Partner Ltd is excluded from Aegon AM UK's Pillar 1 consolidation due to its size being deemed immaterial.

There are no known current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between parent and subsidiary undertakings and there are no subsidiary undertakings where actual capital resources are less than the required minimum.

## Risk management objectives and policies

Aegon AM UK is a specialist investment management business. We use our collective investment management expertise to help people achieve a lifetime of financial security. Our aim is to deliver superior investment performance that meets or exceeds our clients' expectations with an appropriate level of risk. From Edinburgh and London we manage investments on behalf of UK and international clients – including wealth managers, financial advisers, family offices, pension funds, financial institutions, government agencies and individuals.

Aegon AM UK has an established risk management framework in place which enables the timely identification and management of risks to our business. The key principle underpinning the Aegon AM UK risk management framework is that all directors, management and staff are accountable for managing the risks faced by their area of the business. A number of policies and procedures are in place to offer staff guidance on managing, reporting and escalating any risks identified. We employ a number of risk management tools, including key risk indicators, a loss database, risk and control self-assessments, process monitoring reviews and stress and scenario testing, to support risk management. This is all overseen and challenged by the Board of Aegon AM UK. This framework enables Aegon AM UK to manage its risk profile in line with its risk appetite.

Our risk management framework reflects the regulatory requirement that we must manage a number of different categories of risk and is reflective of the Aegon AM UK risk taxonomy. These include: business, concentration, credit and counterparty, group, liquidity, market, interest rate and operational risk. The risks that Aegon AM UK are not exposed to are securitisation, residual or excessive leverage risk, and as such they are not considered material for the purposes of this disclosure. A description of material risks and their key mitigations are set out below.

## Risk governance

As noted on page 5 of Aegon AM UK's ' financial statements (for the year ending 31 December 2019), 2020 sees Aegon AM UK becoming more closely integrated with the Aegon Asset Management group which has led to the implementation of a new corporate governance framework. Aegon AM UK's approach to governance enshrines appropriate co-operation with, and influence by, AAM while ensuring appropriate scrutiny and challenge of AAM decisions as they apply to, or fall to be implemented by, Aegon AM UK. This is achieved through the interaction of this Framework with the AAM corporate governance framework, the composition and decision-making process of Aegon AM UK and AAM Boards and committees, and through formal and informal discussions and consultations.

AAM satisfies itself that group standards of behaviour, internal control and other AAM requirements are being met in Aegon AM UK through direct involvement in Aegon AM UK boards and wider business, and through reports by Aegon AM UK directors or senior managers to AAM boards and committees. Aegon AM UK also participates in AAM risk & control, audit and similar programmes.

With regards to Aegon AM UK's business, Aegon AM UK operates a governance framework by which authority is delegated, by the Board, to the Chief Executive and Executive Director(s). They are responsible for management of Aegon AM UK business on a day-to-day basis. This authority extends to any decision not explicitly reserved to the Board or AAM as a reserved matter or pursuant to a Board decision or resolution and includes planning, setting direction, monitoring business performance, taking or co-ordinating key risk decisions and other decision making within the Aegon AM UK business, all within the limits of their delegated authority.

They are supported in the management and operation of the business by senior managers from the functional areas of Aegon AM UK and AAM, who are responsible for management of day-to-day business within their functional areas and who escalate risks and issues to, and implement actions and decisions of, the Chief Executive and Executive Director. Senior Manager Functions are held by the Chief Executive and Executive

Director by other senior managers, as well as by the Chair. Appropriate reporting lines are in place and the Chief Executive regularly meets these senior managers in order to execute his duties.

Senior Managers in the risk area hold relevant Senior Manager Functions and have direct access to both Chief Executive and Chair to ensure appropriate escalation and remedy of key risks.

The Chief Executive reports to the Board at meetings and otherwise as required from time to time.

The board of Aegon AM UK is chaired by an independent, non-executive director and meets at least quarterly. Its responsibilities are:

- Provide strategic input into the direction and management of Aegon AM UK including reviewing and approving the strategy and business plans and monitoring delivery and financial performance against them.
- Provide challenge and oversight of senior management on behalf of shareholder(s) and other stakeholders.
- Monitor the exercise of delegated authorities by executive and senior management.
- Set and uphold the values and standards necessary to meet obligations to customers, regulators, shareholders and other stakeholders.
- Monitor and direct compliance with applicable law and regulation, including but not limited to discharge by the company and its Board and directors of duties Companies Acts and all other applicable law and regulation.
- Monitor and direct effective internal systems, controls and policies to oversee risk management, challenging and approving the risk profile and overseeing adherence to it.
- Challenge and approve key risk and regulatory policies and other relevant documents, including those relating to the Internal Capital Adequacy Assessment Process and liquidity risk management.
- Consider and approve financial statements including the annual report and accounts and dividend recommendations. Review and approve capital forecasts, manage capital and approve capital requests and dividend payments to AAM from time to time.
- Consider and challenge the investment policy, risk, distribution and overall value for money of KC plc funds, including consideration and approval of the Value Assessment.
- Consider issues relevant to the development and retention of key personnel. Consider the approach to remuneration, its implementation and impact of the company, whilst recognising that certain matters are reserved to AAM.
- Oversee and approve/escalate as appropriate, matters reserved to the Board or otherwise outside the authority of the Executive Directors, including strategic acquisitions and disposals and significant financial transactions (subject always to matters reserved to AAM or other Aegon group entities).
- Act as and when required as Authorised Corporate Director to certain UCITS funds and Alternative Investment funds.
- Perform relevant oversight of Internal Audit.
- Consider and challenge whether appropriate resourcing, policies and procedures are in place to meet the Board's objectives and the company's strategy and business plan.
- Undertake an annual internal evaluation of board performance and an external evaluation of board performance every 3 years.
- To appoint external auditors and to provide oversight of external audit activities.

The Risk and Compliance department forms Aegon AM UK's second line of defence and has three principal roles; to provide information and guidance on regulatory matters; to monitor business activity to ensure we operate within the regulatory requirements; and to ensure operational and regulatory risks to the business are identified, monitored and controlled. Management information and reports are provided to the AAM Governance Risk and Compliance Committee on a monthly basis from each of the key areas of the business e.g. distribution, investment management and quarterly from some support functions e.g. legal. Each area of the business has oversight of key performance indicators which are set tolerance levels, and submitted to every

departmental meeting. Where tolerances are exceeded then the subject is escalated for visibility and oversight to the risk committees. Aegon AM UK has developed an overarching risk taxonomy which provides the foundation from which Aegon AM UK drives risk identification, assessment, management and monitoring of its risk universe. This is approved by the Board on an annual basis and the below section provides an overview of our main level risk categories and our approach to managing those risks:

## Business Risk

Business risk stems from failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment returns, handling of customer complaints or late reaction to changes in the business environment. Aegon AM UK actively tracks the following as business risks:

- Sales risk
- Pricing risk
- Strategy Execution risk
- Project risk
- Investment returns
- Competitor risk
- Political risk

To monitor and allow for suitable mitigation of our business risk, we analyse various different economic scenarios to model the impact of economic downturns on our financial position. These scenarios include extreme but plausible events. Our exposure to certain elements of business risk is hedged, to a degree, by having significant exposure to both bonds and equities along with a exposure to alternatives such as property.

## Concentration risk

Concentration risk represents the risk that results from a lack of diversification, uneven distribution of counterparties in creditor or any other business relationships, or from a concentration in business sectors or geographical regions. Our exposure to concentration risk could result from the higher percentage of our business being derived from Fixed Income securities and over reliance on large clients. However this risk is mitigated through our promotion of Equity, Multi Asset, and Property funds. This risk is further mitigated through our entry into new jurisdictions, expanding our distribution channels and client base. Both of these mitigants are part of our strategy to diversify.

## Credit and counterparty risk

Credit and Counterparty risk is the risk that the failure, or deterioration in the financial condition which may eventually lead to the failure of a counterparty to meet its obligations, caused by either prevailing market conditions or counterparty specific complications, leads to a financial loss to the company, both through loss of any monies owed to the company by the counterparty, and the cost of reinstating economic exposure in the case of counterparty default.

Aegon AM UK is exposed to credit risk on standard industry terms available to clients, resulting from payments in arrears. The extent to which we provide credit to clients and, therefore, the extent to which we are subject to credit risk and how we mitigate this is governed by the terms and conditions of individual agreements with those clients. Moreover, on a quarterly basis credit risk is quantified using the CRD IV Standardised Approach and reported to the Board of Directors who review this in light of the Aegon AM UK group's credit risk appetite.

With regard to bank deposits, we only deposit money with approved counterparties on agreed terms. Aegon AM UK operates a counterparty management policy which sets tolerance limits over the cash holdings based on the credit rating of the counterparty this is measured using Standard & Poor's short-term credit ratings. In

line with policy, some deposits may be held in collective investment schemes which are managed by Aegon AM UK but which are not rated by Standard and Poor's. There is a maximum we can hold at any one counterparty, in line with our Liquidity Risk Policy, and should the credit quality or financial position of these counterparties deteriorate significantly we would move the cash holdings to another bank or collective investment scheme. For sales debtors in our wholesale funds, the risk of not receiving sums due to us is mitigated as we have the ability to cancel shares/units that have been allocated but have not been paid for. For segregated fund clients, provision for the non-payment of fees etc. are governed by our agreements with these clients; their terms are subject to confidentiality clauses and therefore are not disclosed here.

## Group risk

Aegon AM UK is liable to group risk through its relationships, position within the corporate structure and the obligations placed upon it by AAM and the wider AEGON Group. This is mitigated through governance arrangements to ensure we interact appropriately with group functions so as to understand and influence group level decisions.

## Liquidity risk

Liquidity risk is the risk that Aegon AM UK does not have sufficient liquid financial resources to meet its obligations as they fall due.

The Aegon AM UK Board has overall responsibility for the Contingency Funding Plan (CFP) which sets out the steps that may be taken by Senior Management in the event of threat to and disruption of Aegon AM UK business arising from stressed liquidity conditions. The Board reviews the CFP at least annually or more frequently where the business, market or regulatory requirements call for a reassessment of liquidity risk appetite and/or available funding. In line with the Liquidity Risk Policy, the firm's liquidity position is assessed on a monthly basis (or more often if required) the firm's liquidity position and reporting this information quarterly to the Board including specific information on the firm's compliance with the overall liquidity adequacy rule.

## Market and interest rate risk

Market risk is the risk that the adverse movement in market values creates a reduction in the overall value of assets. We have limited exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than sterling, including some seed investments which are denominated in currencies other than sterling.

Interest rate risk, resulting from an investment's value changing due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship was considered. To mitigate Aegon AM UK carry out a sensitivity analysis that models how the interest rate risk would have been affected by changes in the relevant risk variables that were reasonably possibly at the reporting date.

## Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business.

All business areas, including the Executive team, are subject to regular risk reviews conducted by our Enterprise Risk team. During these reviews, potential and actual operational and enterprise risks are identified and controls put in place to mitigate them. Our Enterprise Risk team sits within our Risk & Compliance Department.

In line with industry standard, the risk management process consists of a cycle of risk identification and assessment, control evaluation and action planning, action completion, measurement and reporting, monitoring and assurance and board-level review. While the Enterprise Risk team's role is to facilitate this process, the process is embedded in existing governance structures and does not operate in isolation.

### Capital resources (own funds) disclosures

Within the UK group, the only element of own funds, also known as capital resources, held is common equity tier 1 capital ('CET 1'). This is the highest form of capital and consists of share capital and retained profit.

### Reconciliation of own funds to audited financial statements

The tables below disclose the consolidated own funds for each entity within the UK group and the solo own funds for Aegon AM UK with a reconciliation for both to the audited statutory financial statements which are prepared as at 31 December 2019.

For the avoidance of doubt, the own funds figures below relate to Aegon AM UK's COREP return as at 31 March 2020 and the variances highlighted are those between 31 March 2020 and those which are in the audited financial statements as at 31 December 2019.

### Aegon AM UK Group Limited Consolidation

As audited statutory financial statements are not prepared for the consolidated UK group (being the three entities in the structure chart on page 2), the own funds are aggregated and disclosed below. Aegon AM UK has employed an external consultant to provide assurance over the consolidated figures.

Balance Sheet description	Per Audited Financial Statements (£000s) 31/12/19	Own funds (£000s) 31/03/20	Variance (£000s)	Explanation of variance	Appendix 2(1) reference
<b>Share Capital</b>	18,711	18,711	-	-	a
<b>Retained Profit</b>	40,116	46,217	(6,101)	Audited financial statements not approved when Q1 Own Funds submitted.	b
<b>Current year loss</b>	-	(7,559)	(7,559)	Current year loss included in Q1 Own Funds submitted	c
<b>Total own funds</b>	58,827	57,369	(1,458)	-	d



### Aegon AM UK

Balance Sheet description	Per Audited Financial Statements (£000s) 31/12/19	Own funds (£000s) 31/03/20	Variance (£000s)	Explanation of variance	Appendix 2(1) reference
Share Capital	15,000	15,000	-	-	g
Retained Profit	40,507	46,913	(6,406)	Audited financial statements not approved when Q1 Own Funds submitted	h
Current year loss	-	(8,034)	(8,034)	Current year loss included with Q1 Own Funds submitted	i
<b>Total own funds</b>	<b>55,507</b>	<b>53,879</b>	<b>(1,628)</b>	-	<b>j</b>

### Capital Instruments

For each CRD IV entity, Appendix 2 includes the Capital Instruments' Main Features Template required by Article 437 (1)(b) of Regulation EU 575/2013.

### Capital ratios

The table below discloses the CET 1 capital ratio of the CRD IV entities at 31 March 2020. As these entities only have CET 1 Capital, the Tier 1 capital ratio and total capital ratio are the same as the capital ratio noted below: 4

Entity	Aegon AM UK Group	Aegon AM UK
Capital Ratio	22.66%	21.45%
Appendix 2(1-A) reference	f	l

### Encumbered assets

The table below sets out the total asset values of Aegon AM UK Group and Aegon AM UK as at 31 March 2020. None of these assets were encumbered as per Article 443 of Regulation EU 575/2013.

Entity	Aegon AM UK Group (£000s)	Aegon AM UK (£000s)
Total Assets	123,368	114,960



## Capital requirements

Aegon AM UK is required to hold own funds in excess of 8% of its total risk exposure amount ('TREA'). As a 'limited licence' firm, the TREA is the higher of the sum of credit and market risk, or fixed overhead requirement ('FOR').

The table below sets out the Pillar 1 TREA of Aegon AM UK as at 31 March 2020:

Requirement	Aegon AM UK Group (£000s)	Aegon AM UK (£000s)
Credit Risk	63,849	61,984
Market Risk	2,469	2,469
Sum of credit and market risk	66,318	64,453
FOR	253,193	251,230
<b>TREA</b>	<b>253,193</b>	<b>251,230</b>
Appendix 2(1-B) reference	E	K

As explained within our description of credit and counterparty risk, S&P ratings are used in respect of exposures to cash, regional governments and other institutions. The credit exposures at 31 March 2020 by credit quality step were as follows:

	Aegon AM UK Group (£000s)	Aegon AM UK (£000s)
Credit quality step 1	-	-
Credit quality step 2	12,639	10,991
Credit quality step 3	-	-
Credit quality step 4	-	-
Credit quality step 5	-	-
Credit quality step 6	-	-
Other	51,160	50,993
<b>Total</b>	<b>63,849</b>	<b>61,984</b>

As noted above, there is a requirement to hold capital in excess of 8% of the TREA. The components of this requirement in respect of credit risk are as follows:

	Aegon AM UK Group (£000s)	Aegon AM UK (£000s)
<b>Central Governments</b>	-	-
<b>Regional Governments and Local Authorities</b>	49	49
<b>Institutions</b>	11,813	10,165
<b>Corporates</b>	1,489	1,489
<b>Exposures in default</b>	5,576	5,552
<b>Collective investment undertakings</b>	5,142	5,142
<b>Other</b>	39,780	39,587
<b>Total</b>	63,849	61,984

Market risk consists of Foreign exchange risk as follows:

	Aegon AM UK Group (£000s)	Aegon AM UK (£000s)
<b>Position Risk</b>	-	-
<b>Foreign Exchange Risk</b>	2,469	2,469
<b>Total Market Risk</b>	2,469	2,469

## Compliance with rules in IFPRU and Pillar 2 rule requirements

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP). Internal capital is capital held by the firm to cover risks which are not covered or are insufficiently covered by the regulatory requirements under Pillar 1. Where the Pillar 2 assessment is higher than the Pillar 1 requirement, the firm holds additional capital, both at the consolidated level and at the level of the regulated entity.

The primary purpose of the ICAAP is to inform the Aegon AM UK Board of the on-going assessment of the Aegon AM UK group's risk, how the group intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors. In assessing the risks facing Aegon AM UK, input is sought from across the business.

This approach, undertaken in full at least annually and subject to regular review, ensures a comprehensive consideration of all significant risks relevant to the group and is based on wider consultation with senior managers across many different functions.

Finally, the absolute impact of combinations of scenarios, including a severe market downturn, is considered in relation to the financial forecasts of the business to assess the potential impact on the capital base over a three year period. These tests are carried out at the consolidated Aegon AM UK group level.

In addition, we have reviewed the output of our Executive Risk Reviews, which includes a quantification of the risks identified by the business. This has identified a number of key risks, which we have classified against the risk categories set out in the rules. We also quantified tail risk by means of scenario analysis.

In advance of any significant business decisions being made, the impact these will have on the capital of the company and the UK group is fully assessed in order to ensure a suitable capital surplus is being maintained.

## Disclosures: Remuneration

Applicable rules require Aegon AM UK to identify individuals whose professional activities have a material risk impact on its profile (known as “Code Staff”) and the requirements and disclosures (applicable to FCA proportionality level three firms ) apply to those individuals.

Aegon AM UK has identified those employees who are deemed to be Code Staff with reference to their managerial and influence on the company’s overall risk profile of the FCA regulated business. Identification

is further subject to the qualitative and quantitative methods set out in the European Banking Authority’s Regulatory Technical Standards (RTS) for the identification of material risk takers. These comprise:

- Directors
- Employees performing a Significant Influence Function (SIF’s)
- Other senior managers and heads of control functions as deemed appropriate
- Any other member of staff qualifying as a material risk taker under the RTS. Our remuneration policy is approved by non-executive directors of Aegon AM UK plc.

Employees of the firm participate in the Aegon AM UK Discretionary Bonus Plan and the Aegon AM UK Long Term Incentive Plan (LTIP), as appropriate, relative to their role and seniority. The main goals of these plans are to provide fair, competitive pay that rewards firm and employee performance and to create a culture of meritocracy and ownership where employees are rewarded for their contributions. Excessive risk taking is not rewarded.

Our remuneration practices have the following characteristics to ensure they do not encourage excessive risk taking:

1. Reward packages are based on industry benchmarking, overall company performance, individual performance and affordability
2. Our annual bonus plan is discretionary with the following features:
  - Separation between bonus pool generation based on business performance measures and distribution of this pool which is discretionary, based on individual performance.
  - Governance checks and balances in place at all levels. The remuneration committee confirms the annual bonus plan pool to ensure it is in line with business performance. There is a recommendation and approval process for all awards at various levels within Aegon AM UK and up to the Aegon Asset Management remuneration committee, who approve senior employee awards.
  - Aegon AM UK Discretionary Bonus Scheme Specification contains a moral hazard clause to ensure that the performance of funds not considered in the bonus plan are managed in a similar way to those that do contribute to the bonus pool. This clause allows Aegon AM UK to adjust the bonus pool if this is not the case. In addition Aegon AM UK may also use discretion if it feels customers are not being treated fairly.
  - The bonus plan has a measure allocated to appropriate risk management.
  - Clawback provisions are included in the plan rules.

3. The LTIP has the following relevant features:

- Link to profit - if no profit is made, no award is made through LTIP.
- Malus and clawback provisions are included in the LTIP rules.
- Governance checks and balances in place. Awards are approved through Aegon AM UK board(s).

Our performance management process (on which the annual bonus plan and the LTIP awards are largely based) ensures that individuals have objectives aligned with company values and risk tolerance. Where anyone is found to be in breach of these, it will affect their performance appraisal and therefore impact on their reward.

The activities of the wider Aegon Asset Management group (of which Aegon AM UK is the UK arm) are overseen by the Aegon Asset Management Supervisory Board, which also sit as a remuneration committee on remuneration issues. The Supervisory Board is established in The Netherlands. The Aegon AM UK Board also has oversight responsibilities and includes both executive and non-executive (independent) board members and also deals with remuneration matters.

Our Supervisory Board is responsible for reviewing our variable pay (both annual bonus plan and LTIP) to ensure it is in line with company results and has the authority to change the value of these pools if required. In addition, the supervisory board is responsible for authorising the remuneration of our most senior employees, including senior employees in the risk and compliance functions.

On the basis that Aegon AM UK is one business unit, the total remuneration awarded to our Code Staff for performance year 2019 is £7,092k. £4,150 was awarded to Aegon AM UK's management body, which, for the purpose of this disclosure, is the Board and the Executive Committee appointed to run Aegon AM UK.

Further information on remuneration objectives, design and the applicable processes is available on the disclosures section of the UK site within [www.aegonam.com](http://www.aegonam.com).

## Disclosures: Governance Arrangements

Director Name	Executive (E) or Non-Executive (N) (for Aegon AM UK)	Number of Aegon NV group Directorships (including Aegon AM UK)	Number of Directorships held outside of the Aegon NV group
Stephen J M Jones	E	3	0
David K Watson	N	1	3
Arnab K Banerji	N	1	2
Jane P L Daniel	E	6	0
Bas NieuweWeme	N	4	1
Mary T Kerrigan	N	1	4

During September 2019 both Martin Davis and Sarah Russell stepped down from the Board of Aegon AM UK. All changes to the Board of Aegon AM UK are detailed on page 1 of the financial statements for 2019 which are available at Companies House. Janes Daniel joined the Board in December 2019; Bas NieuweWeme joined in March 2020 and Mary Kerrigan in September 2020.

## Recruitment and Diversity Policy for all staff including Directors

- Aegon AM UK operates an Equality and Diversity Policy that positively values the different perspectives and skills that a diverse workforce brings to our company. We are committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment or to customers.
- We will not tolerate discrimination in any form and will actively work to make sure our culture encourages, supports and develops all employees to achieve their potential.
- We are committed to embracing diversity, which means acknowledging, understanding and appreciating the differences between individuals and developing a workplace that enhances their value. We recognise that a diverse workforce brings a wide range of resources, skills, ideas and energy to the business, and gives us a competitive edge.

## Appendix 1

Exposure to counterparty credit risk (Art 439 CRR): The impact of credit risk on Aegon AM UK business is explained above and does not relate to trading. Therefore credit risk policies, collateral policies, collateral provision in case of counterparty downgrade, net exposure and all other disclosures under this article are not applicable to Aegon AM UK.

Capital Buffers (Art 440 CRR): As an asset management firm with a limited licence, Aegon AM UK is not required to implement capital buffers. Therefore the disclosures under this article are not applicable.

Leverage (Art 451 CRR): Aegon AM UK does not employ leverage.

Credit Risk Adjustments (Art 442 CRR): Consistent with a firm that does not generate revenue as a lender, these disclosures have been deemed immaterial.

## Appendix 2 – Transitional own funds disclosure template

### Appendix 2(1-A) – Aegon AM UK Group Consolidation

		(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 Article Reference	C) Amount subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Rec Ref
	Common Equity Tier 1 capital : instruments and reserves				
1	Capital instruments and the related share premium accounts	18,711	26 (1), 27, 28, 29		a
	of which : instrument type 1	18,711	EBA list 26 (3)		a
	of which : instrument type 2		EBA list 26 (3)		
	of which : instrument type 3		EBA list 26 (3)		
2	Retained earnings	40,110	26 (1) (c)		b
3	Accumulated other comprehensive income (and other reserves)		26 (1)		
3a	Funds for general banking risk		26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) and related share premium account subject to phase out from CET 1		486 (2)		
	Public sector capital injections grandfathered until 1 January 2018		486 (2)		
5	Minority Interests (amount allowed in Consolidated CET 1)		84, 479, 480		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)		
6	Common Equity Tier 1 (CET 1) capital before regulatory adjustments	58,821			
Common Equity Tier 1 (CET 1) capital : regulatory adjustments					
7	Additional value adjustments (negative amount)		34, 105		
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37, 472 (4)		
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditional in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)		
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)		
12	Negative amount resulting from the calculation of expected loss amounts	- 497	36 (1) (d), 40, 159, 472 (6)		c
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)		
14	Gain or losses on liabilities values at fair value resulting from changes in own credit standing		33 (1) (b)		
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e) , 41, 472 (7)		
16	Direct and indirect holdings by an institution of own CET 1 instruments (negative amount)		36 (1) (f) , 44, 472 (8)		
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution (negative amount)		36 (1) (g) , 42, 472 (9)		
18	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)		
19	Direct indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)		
20	Empty set in the EU				



20a	Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)		
20b	of which : qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91		
20c	of which : securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258		
20d	of which : free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount)	-	36 (1) (c), 38,48 (1) (a), 470, 472 (5)		
22	Amount exceeding the 15% threshold (negative amount)		48 (1)		
23	of which : direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)		
24	Empty set in the EU				
25	of which : deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)		
25b	Foreseeable tax charges relating to CET 1 items (negative amount)		36 (1) (i)		
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				
	Of which : ... filter for unrealised loss 1			467	
	Of which : ... filter for unrealised loss 2			467	
	Of which : ... filter for unrealised gain 1			468	
	Of which : ... filter for unrealised gain 2			468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR			481	
	Of which: ...			481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (l)		
28	Total regulatory adjustments to Common equity Tier 1 (CET 1)	-			
29	Common Equity Tier 1 (CET 1) Capital	58,324			d

Additional Tier (AT1) capital : instruments					
30-35	These rows have been omitted as all entries would be blank				
36	Additional Tier 1 (AT1) capital before regulatory adjustments				
Additional Tier 1 (AT1) capital : regulatory adjustments					
37-42	These rows have been omitted as all entries would be blank				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital				
44	Additional tier 1 (AT1) Capital				
45	Tier 1 capital (t1 = CET 1 + AT1)	58,324			d
Tier 2 (T2) capital : instruments and provisions					
46-50	These rows have been omitted as all entries would be blank				
51	Tier 2 (t2) capital before regulatory adjustments				
Tier 2 (T2) capital : regulatory adjustments					
52-56	These rows have been omitted as all entries would be blank				

57	Total regulatory adjustments to Tier 2 (T2) capital				
58	Tier 2 (T2) capital				
59	Total capital (TC = T1 + T2)	58,324			d
59a	Risk weighted assets in respect of amount subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		472, 472 (9), 472 (8) (b), 472 (10) (b), 472 (11) (b)		
	Of which : ... items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		475, 475 (92) (b), 475 (2) (c), 475 (4) (b)		
	Of which : ... items not deducted from AT 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)		
	Of which : ... items not deducted from T2 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. indirect holdings of own T2 instruments, indirect holdings of no-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)				
60	Total risk weighted assets	271,118			e
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	21.51%	92 (2) (a), 465		f
62	Tier 1 (as a percentage of risk exposure amount)	21.51%	92 (2) (b), 465		f
63	Total Capital (as a percentage of risk exposure amount)	21.51%	92 (2) (c)		f
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	N/A	CRD 128, 129, 130		
65	of which : capital conservation buffer requirement				
66	of which : countercyclical buffer requirement				
67	of which : systemic risk buffer requirement				
67a	of which : Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A	CRD 131		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		CRD 128		
69	[non relevant in EU regulation]				
70	[non relevant in EU regulation]				
71	[non relevant in EU regulation]				
Capital ratios and buffers					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (94)		
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)		
74	Empty set in the EU				
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount)		36 (1) (c), 38, 48, 470, 472 (5)		
Applicable caps on the inclusion of provisions in Tier 2					
76-79	These rows have been omitted as all entries would be blank				
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80-85	These rows have been omitted as all entries would be blank				

Appendix 2(1-B) – Aegon AM UK

		(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 Article Reference	C) Amount subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Rec Ref
	Common Equity Tier 1 capital : instruments and reserves				
1	Capital instruments and the related share premium accounts	15,000	26 (1), 27, 28, 29		g
	of which : instrument type 1	15,000	EBA list 26 (3)		g
	of which : instrument type 2		EBA list 26 (3)		
	of which : instrument type 3		EBA list 26 (3)		
2	Retained earnings	41,137	26 (1) (c)		h
3	Accumulated other comprehensive income (and other reserves)		26 (1)		
3a	Funds for general banking risk		26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) and related share premium account subject to phase out from CET 1		486 (2)		
	Public sector capital injections grandfathered until 1 January 2018		486 (2)		
5	Minority Interests (amount allowed in Consolidated CET 1)		84, 479, 480		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)		
6	Common Equity Tier 1 (CET 1) capital before regulatory adjustments	56,137			
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)		
25b	Foreseeable tax charges relating to CET 1 items (negative amount)		36 (1) (i)		
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				
	Of which : ... filter for unrealised loss 1			467	
	Of which : ... filter for unrealised loss 2			467	
	Of which : ... filter for unrealised gain 1			468	
	Of which : ... filter for unrealised gain 2			468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR			481	
	Of which: ...			481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (l)		
28	Total regulatory adjustments to Common equity Tier 1 (CET 1)	-			
29	Common Equity Tier 1 (CET 1) Capital	55,521			j
Additional	Tier (AT1) capital : instruments				
30-35	These rows have been omitted as all entries would be blank				
36	Additional Tier 1 (AT1) capital before regulatory adjustments				
Additional	Tier 1 (AT1) capital : regulatory adjustments				
37-42	These rows have been omitted as all entries would be blank				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital				
44	Additional tier 1 (AT1) Capital				

45	Tier 1 capital (t1 = CET 1 + AT1)	55,521			j
Tier 2 (T2) capital : instruments and provisions					
46-50	These rows have been omitted as all entries would be blank				
51	Tier 2 (t2) capital before regulatory adjustments				
Tier 2 (T2) capital : regulatory adjustments					
52-56	These rows have been omitted as all entries would be blank				
57	Total regulatory adjustments to Tier 2 (T2) capital				
58	Tier 2 (T2) capital				
59	Total capital (TC = T1 + T2)	55,521			j
59a	Risk weighted assets in respect of amount subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		472, 472 (9), 472 (8) (b), 472 (10) (b), 472 (11) (b)		
	Of which : ... items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		475, 475 (92) (b), 475 (2) (c), 475 (4) (b)		
	Of which : ... items not deducted from AT 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)		
	Of which : ... items not deducted from T2 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)				
60	Total risk weighted assets	269,498			k
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.60%	92 (2) (a), 465		l
62	Tier 1 (as a percentage of risk exposure amount)	20.60%	92 (2) (b), 465		l
63	Total Capital (as a percentage of risk exposure amount)	20.60%	92 (2) (c)		l
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	N/A	CRD 128, 129, 130		
65	of which : capital conservation buffer requirement				
66	of which : countercyclical buffer requirement				
67	of which : systemic risk buffer requirement				
67a	of which : Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A	CRD 131		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		CRD 128		
69	[non relevant in EU regulation]				
70	[non relevant in EU regulation]				
71	[non relevant in EU regulation]				
Capital ratios and buffers					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (94)		
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)		36 (91) (i), 45, 48, 470, 472 (11)		
74	Empty set in the EU				
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount))		36 (1) (c), 38, 48, 470, 472 (5)		
Applicable caps on the inclusion of provisions in Tier 2					
76-79	These rows have been omitted as all entries would be blank				
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80-85	These rows have been omitted as all entries would be blank				

Appendix 2(2) – Description of main features of capital instruments

1	Issuer	Aegon Asset Management UK Holdings Ltd	Aegon Asset Management UK Plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement
3	Governing law(s) of the instrument	Scottish law	Scottish Law
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at sole/(sub-)consolidated / solo & (sub) consolidated	Consolidated	Solo
7	Instrument type (types to be specified for each jurisdiction)	Ordinary Shares	Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as at most recent reporting date)	£18.7m	£15.0m
9	Nominal amount of instrument	£1	£1
9a	Issue price	N/A	N/A
9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' Funds	Shareholders' Funds
11	Original date of issuance	Company was incorporated on 24 September 2009. No shares were issued during 2016	Company was incorporated on 21 September 1988. No shares were issued during 2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Floating	Floating
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or no convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A