



# Using NZIF to set robust net zero targets and strategy: Aegon UK

This case study, which is authored and provided by Aegon UK, demonstrates the role of net-zero targets and benefits of forward-looking management in an investor transition plan.

## Rationale and development

The scale and urgency of the climate crisis is unprecedented. As one of the UK's largest asset owners, we have both the opportunity and a responsibility to play an active role in fighting climate change. We believe this is not just an environmental issue, but one that is vital for the future financial wellbeing of our customers. In 2023, we published our net-zero transition plan, our [climate roadmap](#).

Our roadmap is an actionable transition plan with specific targets that sets out our route to net zero scope 1, 2 and 3 greenhouse gas emissions across all our asset classes excluding cash, starting with our workplace default funds. We developed our climate roadmap by leveraging our customer views and best practice in the industry.

ALIGN with science and industry best practice	INCREASE responsible investments in the context of climate change	ENGAGE for long-term value and systemic change
Aligning the default portfolio with the Paris agreement to reach net zero emissions by 2050	Increasing responsible investments to support climate change mitigation/adaptation and the low-carbon transition	Engaging with fund managers and the wider market to increase concrete climate ambition and action
<ol style="list-style-type: none"><li>1. Setting short- and medium-term targets</li><li>2. Using pathways for decarbonisation</li><li>3. Reviewing strategic asset allocation</li></ol>	<ol style="list-style-type: none"><li>4. Increasing investments in assets aligning to net zero</li><li>5. Increasing investments in climate solutions</li></ol>	<ol style="list-style-type: none"><li>6. Partnering with fund managers and data providers to decarbonise our portfolio</li><li>7. Supporting climate policy regulation</li><li>8. Collaborating with industry groups to collectively reach net zero</li><li>9. Engaging with customers and advocating for their financial wellbeing</li></ol>

Our roadmap was guided by the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF), which we felt encouraged ambitious and credible targets but was flexible enough for our business model as a large asset owner. The content and targets of our roadmap were informed by NZIF, whilst the structure followed our own three-pillar climate strategy and nine-point transition plan.

## Our targets

In alignment with NZIF, we set out four target categories:

- Emissions' reduction targets**, in order to guide our decarbonisation journey, in particular via short-term targets,
- Engagement targets**, directly reflecting active ownership actions that would help reduce emissions in our portfolio and the market,
- Investment targets**, as per the IIGCC's guidance to both reduce emissions and invest in climate solutions,
- Tracking targets**, complementing the other targets, for example where methodologies may have been developing, such as net-zero alignment tracking.

As a universal asset owner, the biggest way we can drive change is through how we engage with our asset managers and the wider market, hence why we focus heavily on engagement in our targets. In addition, one of our key climate roadmap principles is that we look for real economy outcomes rather than divesting our portfolio away from climate change risks. Having a range of targets beyond emissions' reductions helps us track concrete progress and any shortcomings of our three-pillar strategy. In addition, we use emissions' attribution analysis to distinguish between real-world emission reductions from corporates and decreases resulting from other factors such as market movements.

Emissions targets	Engagement targets	Investment targets	Tracking targets
<p>Short-term targets</p> <p>(1) 14% reductions in scope 1 and 2 over 2023-26*</p> <p>(2) 14% reductions in scope 1 and 2 over 2027-30*</p> <p>Medium-term target</p> <p>(3) 50% reductions in scope 1 and 2 by 2030*</p> <p>Long-term target</p> <p>(4) Net zero GHG emissions in scope 1, 2 and 3 for all asset classes by 2050</p>	<p>(1) Engage via our fund managers with companies representing at least 70% of our financed emissions (scope 1, 2 and 3) through direct or collective engagement by 2025</p> <p>(2) Engage to support market-wide decarbonisation in two or more net-zero-relevant industry groups/policy forums a year</p>	<p>(1) £500 million invested in climate solutions by 2026</p> <p>(2) 70% of our default funds' assets under management screened and/or optimised for ESG factors by 2026</p>	<p>(1) Significant % increase in assets under management in net-zero aligned or aligning assets, so that 100% of assets are net zero or aligned to net zero by 2040</p> <p>(2) Progress from engagement with fund managers based on climate outcomes and expectations</p>

## An evolving strategy going forward

We understand that targets are likely to change as new data and methodologies become available. Emissions' data at a specific reporting date may be restated over time where there are improvements in calculations and methodologies, or new emissions' coverage is obtained by our data provider. This means that our baseline and annual emissions may change retroactively, as more data becomes available. We report against our targets using the most accurate and available data from our provider at our agreed reporting frequency. For example, at the time of publication we reported progress against 2020 since 2019 enterprise value including cash (EVIC) was not available to calculate our 2019 scope 1 and 2 carbon footprint using EVIC.

Our climate roadmap is one step along our decarbonisation journey. We see it as a living, evolving plan and will monitor our progress and review targets at Board level annually. We expect the relevance of specific targets to change over time as impactful decarbonisation levers evolve across the industry. For example, scope 1 and 2 emissions' reductions and assets screened and/or optimised for ESG factors are likely to become less impactful in the next couple of years compared to targets such as % of emissions engaged, policy engagement or net-zero alignment. As per our industry engagement target, we will continue to support market-wide decarbonisation through industry groups and forums, encouraging and contributing to best practice. We believe that sharing how we leveraged industry guidance to develop our own transition plan can further inspire ambitious market-wide decarbonisation.