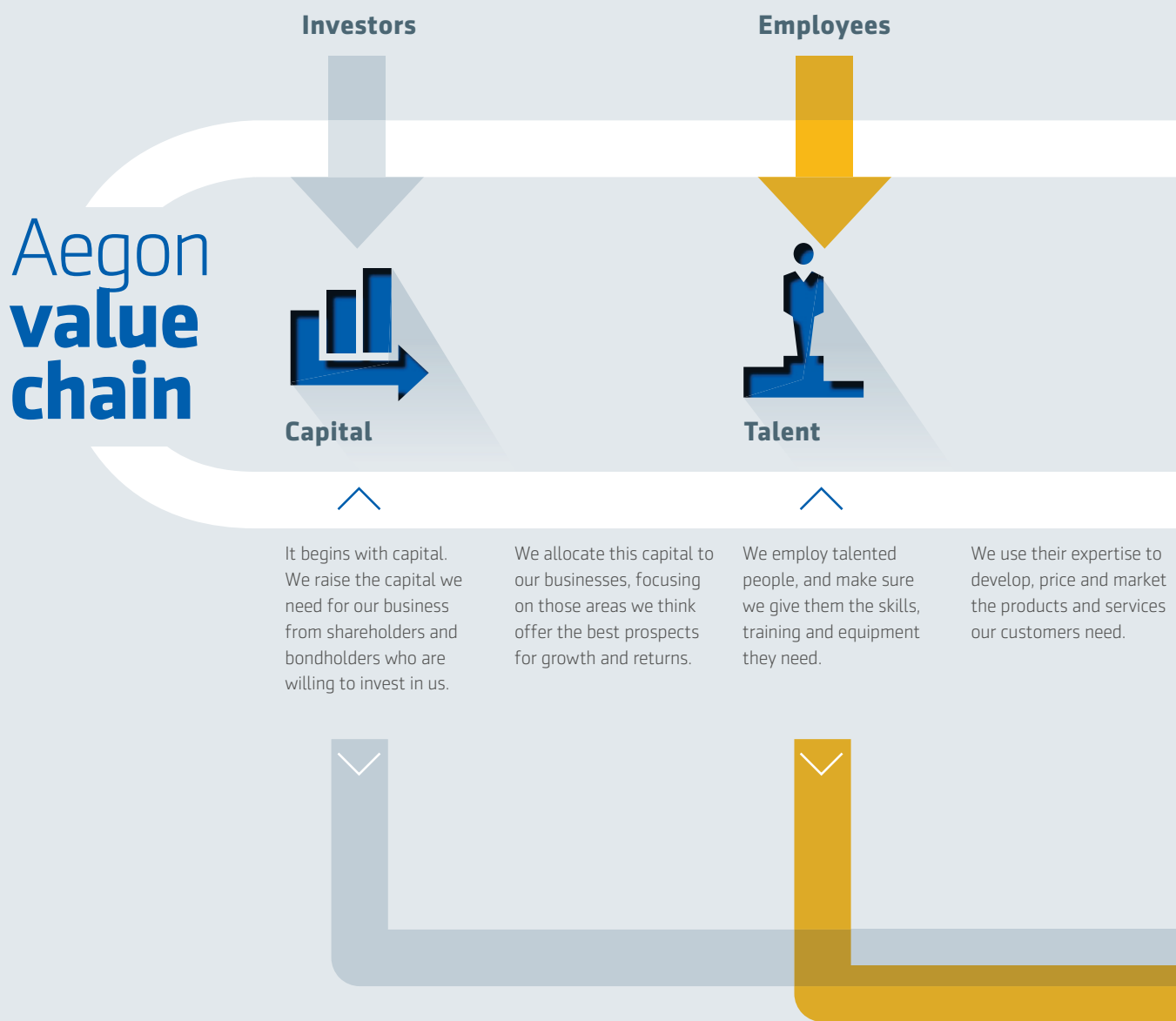




# How we create and **share value**

# How we create and share **value**

Our value chain is important. It shows how we take in value and use it to create additional value for our customers and other stakeholders. Over the next few pages, we'll be looking in more detail at our value chain, and how we create additional value, not only as a provider of financial services but also as an employer and an investor in our local communities.



Public services  
Suppliers  
Local communities

Customers



Trust

When they buy our products, customers entrust money to us. We invest this money responsibly. We protect its value and, over time, work to make it grow.



Protection

Through our products, we also seek to protect what's important to our customers; we manage risk on their behalf and help them save and invest for the future.



Benefits

From the returns we make, we pay out benefits, annuities, pensions and other claims to our customers. We also offer our employees competitive salaries and benefits.



Profits

We make profits, which we share with investors through dividends. We also pay returns on our bonds through coupon payments.



Society

And we contribute to wider society through our tax payments, through the goods and services we buy and through investment in our local communities.



# How do we create and share value as a provider of financial services?

## By putting our customers at the center of what we do

Broadly, our products fall into three main categories: life insurance, pensions and asset management. Through these products, we provide long-term financial security. Our purpose, ultimately, is to protect what's important to our customers, and to help them save and invest for the future. We have millions of customers around the world – not just individual policyholders, but also corporate clients and other pension and investment funds.

We've done more to put the customer at the center of what we do. Under the terms of our Product Pricing & Development Policy, we take into account value for customers before approving new products or services. We've also introduced basic standards of market conduct; these are based on the principle of always treating customers fairly, and doing our best to ensure products and services perform precisely as we've led our customers to expect. We've also made Customer Loyalty a central part of our strategy. Through the Net Promoter Score (NPS), we measure Customer Loyalty across the company, using results to drive improvements in both products and customer service. We've now incorporated this measure – NPS – into our business

objectives and some incentive structures, a move that helps align the interests of senior staff with those of customers.

We've also invested more in online distribution and in customer research. We've simplified our written communications, and increasingly we're working with a single customer view, which allows us to respond much more quickly to changes in customer needs. Ultimately, we want to make sure we sell the right product to the right person at the right time – and at the right price, both for our customers and ourselves.

## By improving our products, service and distribution

We offer a range of products, and work through different distribution channels to make it as easy and convenient as possible for our customers. In most of our markets, we offer life insurance and pensions, as well as long-term investment products like annuities and mutual funds. Some of our businesses also provide household & contents insurance, banking services and mortgages.

In recent years, we've made improvements to many of our products. We've re-priced and re-designed some, and we've withdrawn others – largely in response to market

changes, in particular low interest rates. We've also introduced new products where we've seen a need and an opportunity. In all our markets, we have rigorous product approval processes. We have dedicated teams, who make sure we comply with the relevant rules and regulations. Within the company, there's a strong link between products, pricing and risk management.

When we have problems with our products, we act to redress them. Where justified, we pay compensation and, in certain cases, we've made good losses experienced by our customers. Over the past decade, for example, we've paid out over €800 million in compensation and product improvements to customers in the Netherlands with unit-linked insurance policies. Last year, we closed down our Aegon Direct Marketing Services business in Europe, where some products simply weren't meeting either our expectations or our customers'. And, in Poland, we're currently working to address concerns over surrender charges on one of our investment products.

Around the world, the products we offer vary – usually because of differences in customers' needs, regulation or tax. The way in which our products are bought and sold also varies. In Spain, for example,

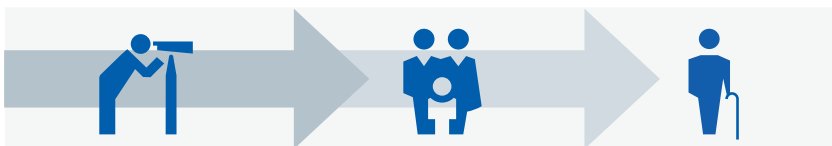
most people buy life insurance through banks. Which is why, in Spain, we work through Banco Santander. Elsewhere, we also offer products through brokers, agents and other financial intermediaries. In the US, we operate through all these channels. In Asia, we work with local joint venture partners. In other countries, worksite marketing has become very important. In the UK, following a change in the law, millions of people were recently enrolled in employer pension plans. And, of course, from a relatively low base, we've seen rapid growth in online sales – something we expect to continue in the years ahead.

### By helping those who don't have easy access to insurance

All our products play an important social role, in protecting people's savings and property, in helping them through often difficult times and in preparing them for retirement. We also support those who don't have easy access to life insurance and health cover.

In common with other insurers, we help customers who, often through no fault of their own, are unable to maintain premium payments. Depending on their circumstances, we offer grace periods, loans and payment breaks. In the Netherlands, we pay for special 'budget coaches' for those in difficulty with mortgage repayments. Similarly, in the US, we're working with the National Foundation for Credit Counseling to help people in severe debt. We also provide products to customers on low incomes or specific groups, who may have difficulty accessing insurance. In the Czech Republic, for example, we offer cover to diabetes sufferers and in Spain to women against the possibility of breast cancer. In Brazil, alongside micro-finance specialists Finsol, we offer very low-cost life insurance to thousands of small business owners in the north-east of the country. Of course these products all have a commercial driver, but they also help broaden the insurance net – supporting people who might otherwise find themselves vulnerable and uninsured.

### We support people throughout their working lives... and into retirement.



We protect what's important to our customers: their families, their health and their homes.

We help them save and invest for the future.

And, once they stop work, we provide a stable income in retirement, help them meet the costs of care and secure their families' future after they've gone.

#### Products

- Health insurance
- Life insurance
- Home contents insurance

#### Products

- Mutual funds
- Long-term investments
- Unit-linked investments
- Pensions

#### Products

- Annuities
- Estate planning
- Long-term care
- End-of-life protection

#### Life events

- Birth
- Education
- Finding a job
- Buying a home
- Starting a family

#### Life events

- Saving and investing for the future
- Children leaving home
- Approaching retirement

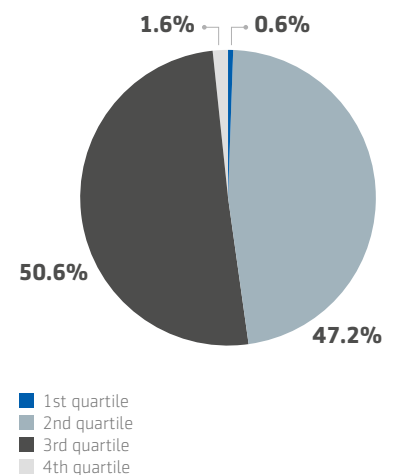
#### Life events

- After retirement:
- Traveling?
  - Visiting friends?
  - Setting up a new business?

**“Our products play an important social role in protecting people's savings and helping them prepare for retirement.”**

### Net Promoter Score®

We use the Net Promoter Score (NPS) to measure customer loyalty – and we regularly benchmark the results against our competitors. Last year, most of our businesses were ranked in either the second or third quartile. Our aim is to be in the top quartile in all our chosen markets. More than three quarters of our businesses now benchmark their NPS performance against competitors<sup>1</sup>.



<sup>1</sup> Weighted by IFRS capital allocated. NPS measures customers' 'likelihood to recommend', using a scale of 0-10 to identify 'promoters' and 'detractors'. The percentage of detractors is then subtracted from the percentage of promoters to produce an NPS score, which can be benchmarked against competitors. The chart above covers businesses in the US, the Netherlands, the UK and Hungary where performance was benchmarked against peers.





## As an employer, how do we create and share value?

### By creating jobs and providing employment

We employ over 28,000 people around the world. Most – approximately two-thirds – work in our main markets: the US, the Netherlands and the UK. We also have significant workforces in Central & Eastern Europe, Asia and Latin America. Through our work with suppliers, brokers and financial intermediaries, we create thousands of other jobs indirectly.

We look regularly at what skills we have as a company – and, more importantly, what skills we'll need in the years ahead. As a result, we're taking on more people with experience in areas like online marketing, customer analytics and research. In 2014, our new hires totaled more than 4,600.

As a company, we need a range of skills – for example, in accounting, actuarial, IT, marketing, communications, legal, product development, risk management... as well as online marketing, customer analytics and research. To attract these people, and to make sure they stay with Aegon, we need to offer the right salary, but also rewarding work and real prospects for career advancement. We also realize that, increasingly, people want to work for companies that share their values.

Over the past several years, we've reduced the overall size of our workforce. We've closed some of our businesses, but we've opened others in new growth areas. While our workforce in the UK has been reduced, for example, we've expanded employment

in India. When restructuring, we do our best to keep compulsory redundancies to a minimum. Where possible, we reassign staff within the company or allow employees to switch to more flexible or part-time working. We also help those losing their jobs find alternative employment. We provide training, career advice, and access to outside recruitment services. We also talk through restructuring carefully with our unions and works councils.

### By investing in our workforce

Last year, we paid €1.3 billion in salaries, and another €770 million in other benefits for our employees. That makes our workforce an important investment, and one of our most valuable assets. Alongside the basic salary, vacation entitlement and social security

contributions, we also offer other benefits, including part-time and flexible working, parental leave and regular health checks, as well as a volunteering program that gives employees paid time-off each year to volunteer on local community projects. In many countries, we also have company pension plans. At the end of 2014, these plans covered approximately 50,000 current and former employees.

In addition to their salary, many of our employees – approximately 70% – receive variable compensation, linked to their personal performance, the performance of the company, or a combination of the two. Payments are tied to regular, formal performance appraisals. Worldwide, variable compensation makes up about 39% of senior managers' total pay. For middle managers, the figure is lower, at just over 25%. Our approach to variable compensation can vary – largely because of local differences in regulation or common practice.

Basic rules governing these payments are set out in our Global Remuneration Framework. This framework provides a number of safeguards: capping amounts paid, basing payments on both financial and non-financial targets, and deferring payments over at least three years. In certain circumstances, we can also claw back bonuses – if, for example, there's evidence of wrongdoing or need for a financial restatement. The framework is based on the principle of pay-for-performance. We also have separate rules for those in control functions, like audit and risk management so their independence isn't compromised. And we have a separate policy for our Executive Board. Under this policy, variable pay for Executive Board members is capped at 100% of their fixed salary.

### By developing skills and talent

We provide training to employees at all levels within the company. In some areas, we provide mandatory training – for example, on our [Code of Conduct](#). We have a company-wide program, known as In Practice, which provides e-training on everything from customer service and

product knowledge to insider dealing and money laundering. In the US, our Transamerica Learn Center is open to all employees. The Center gives them instant access to information on all available training sessions and courses. Employees can use the Center to create their own development plans. We apply a similar approach elsewhere – at our Corporate Center, for example, or in the Netherlands through the Aegon career check. In the UK last year, we launched a new e-learning program to further strengthen people management skills. We also offer more targeted programs. This year, managers at our Investments & Retirement division in the US took training sessions on employee development, as well as how to manage organizational change. At Aegon Asset Management, we've introduced mandatory training for portfolio managers to further embed our approach to responsible investment into day-to-day practice. There are also separate programs for senior management; Aegon University, for example, brings together high-performing managers from across the company to share experience and knowledge. Similar local programs are in place in the US and Asia. Last year, we spent €13 million on training – equivalent to €560 per employee.

We set clear targets for our employees. These targets – along with regular performance appraisals – help us identify areas of weakness or potential, which can be addressed through training. In 2014, nearly three quarters of our workforce took part in skills and development programs.

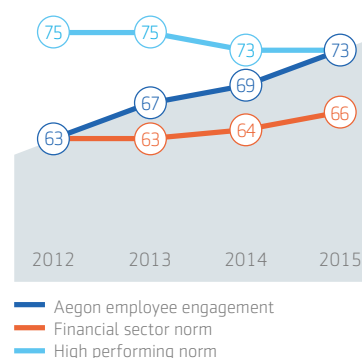
Career development, of course, goes beyond training. All our businesses have formal talent management programs. These help us map employees' skills – and match them to new opportunities. They support effective succession planning, particularly for senior and other strategic positions within the company. Our formal succession planning currently covers more than 900 employees worldwide; we also measure turnover risk for positions we think are sensitive or important to the organization strategically. >>

**“Increasingly, people want to work for companies that share their values.”**

### Preferred employer

Over the past four years, we've seen a significant improvement in our levels of employee engagement.

**73**



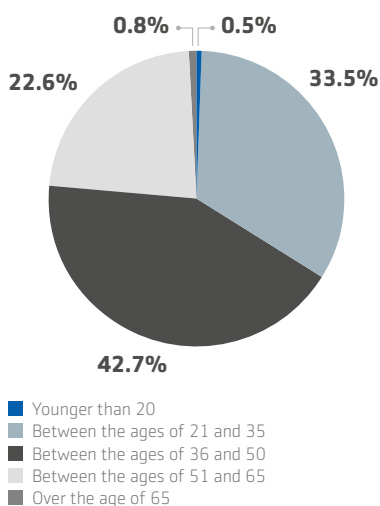
**97%**

Most of our employees – 97% – have access to part-time or flexible working.

“The more motivated our employees, the better our customer service.”

### Our global workforce

More than a third of our global workforce are under the age of 35.



### By offering a decent and productive place to work

We do our best to create a positive working environment. To our employees, we offer regular health and fitness programs. These include initiatives to reduce stress in the workplace, probably our single most important health & safety issue as an office-based company. We also engage regularly with trade unions, works councils and other employee bodies; more than 40% of our workforce is covered by formal collective labor agreements. In addition, almost all our employees have access to either part-time or flexible working – important if we’re to retain employees with family commitments. We have a Code of Conduct covering our entire workforce, which sets out both our employees’ obligations and our commitments to them as an employer. It’s also important that we have a diverse and inclusive workforce. Diversity strengthens the company. It brings in new perspectives, helps drive innovation and leads ultimately to better decision-making. We have a company-wide Statement on Diversity & Non-Discrimination, setting out our position. We’re also working through outside organizations – like Women in Financial Services and Talent to the Top. Last year, we became a member of Workplace Pride, which works for greater LGBT<sup>1</sup> recognition in the workplace. We also measure gender diversity – about half our workforce is female, and almost a third of our senior management. We’ve made progress, but we want to do more to broaden our employee base.

Key to our strategy is motivating and engaging our employees. That means, firstly, making sure they have the knowledge and the tools they need to do their jobs. Research has shown that the more motivated our employees, the better

our customer service – which also brings benefits to both us as a company and to our shareholders. We measure employee engagement every year. We benchmark the results against peers and high-performing companies. And we use these results to make improvements to our working environment. Earlier this year, 88% of our staff took part in our latest survey. The survey covers a number of areas – everything from confidence in senior management to access to training and prospects for career development. We also use the survey to monitor internal risk culture and track employees’ views of Aegon as a socially responsible company.

### Supporting cancer patients

Currently cancer kills approximately eight million people a year around the world. Within the next 20 years, the number of cancer cases is expected to hit 25 million a year<sup>2</sup>. Aegon has products that help support those suffering with the disease. In Spain, we offer life insurance that pays out €30,000 on diagnosis of breast cancer. The money helps patients meet medical or living costs. In China, we’ve developed a new product, which offers healthcare and financial support to those diagnosed with cancer. More than 1,000 policies were sold within a few days of the product’s launch in March last year. We’re also working in other ways – we support charities providing cancer counseling and care, and in the UK last year we published figures on our critical illness claims to help raise awareness of the disease.

<sup>1</sup> Lesbian, Gay, Bisexual and Transgender.  
<sup>2</sup> Source: World Health Organization.





### Changing capital requirements

**“New solvency rules in Europe will change the way we do business** and the way we think about, and manage, risk. We think it’s a change for the better.”

**Karen Wright**  
Group Treasurer





## How do we create and share value **as an investor?**

### **By securing the right financial returns**

When customers buy our products, they're entrusting their money to us. We do our best to invest this money responsibly. We protect its value. And we try to deliver the returns our customers expect – and *need*, in many cases – to secure their retirement. In all, we have assets under administration of almost €560 billion. Of that, a significant amount are assets customers have built up with us for their retirement. The rest are assets we've built up so when the time comes we can pay out customer benefits. Last year, these benefits – claims, annuities, pensions and so on – totaled almost €34 billion. We invest in different asset classes. A lot of our investments are in corporate or government bonds, but we also have investments in shares, property and private equity. We try to match these assets as far as possible to the liabilities we have as an insurance company.

Our first priority is to get the best possible returns for our customers.

### **By investing in sustainable economic growth**

As well as securing financial returns, we want to use our investments to promote sustainable economic growth. Responsible investment, we believe, helps protect investors, pinpoint risk, and may improve returns over the longer term. For us, responsible investment is about making sure we take environmental, social and governance factors into account when we invest. It's also about targeting some of our investments in areas we know will bring definite social or environmental benefits, as well as financial returns.

We have a Responsible Investment Policy, which applies to all our businesses worldwide. This policy sets out minimum

standards in fourteen areas, like the environment, working conditions, corruption, forced and child labor and discrimination in the workplace. We use these standards to assess the companies we invest in. This helps us identify risk. And, if companies don't meet these standards, we'll engage with management to try to bring about a change in policy or practice. In the Netherlands, we have additional sector guidelines. We invest in thousands of companies worldwide, so we can't engage with all of them. Last year, we engaged with 230 companies on subjects ranging from the environment to executive pay and board independence. We engage mostly with companies where we have a significant investment. Where possible, we also work closely with other investors – at times, through organizations like the UNPRI<sup>1</sup> or the Association of British Insurers.

<sup>1</sup> UN Principles for Responsible Investment.

We do reserve the right to exclude some investments. We won't invest in companies that make cluster munitions, for example. Or in governments involved in systematic human rights violations. We may also exclude investment if, after engagement, companies still don't meet our minimum standards, or at least show a willingness to move in what we believe is the right direction. Responsible investment is rarely a black-and-white issue; we have a Responsible Investment Committee that oversees our approach, and responsible investment topics are discussed regularly by the Board at Aegon Asset Management. Last year, we commissioned independent experts to look at our approach to responsible investment. We're now studying their proposals, which include further strengthening our Responsible Investment Committee.

### Through investments that make a difference

Alongside our policy, we also make what are called impact investments – investments that deliver both the financial returns we expect and a definite social or environmental benefit. Currently, we have just over €4.6 billion in impact investments. Much of this is invested in affordable housing in the US and the Netherlands. But we also have other, smaller-scale investments in sustainable timber and renewable energy. We also invest in green bonds, and in international development banks that work to reduce poverty in emerging economies. In the UK, we have a fund investing exclusively in care homes for the elderly. Over the past year, there's been a significant rise in our impact investments - the result, primarily, of increased investment in social housing in the Netherlands.

These are investments we make, as a company. But we also offer ethical and socially responsible investment (SRI) funds for our customers. Typically, these funds screen out investments in areas like tobacco, alcohol and arms. By the end of 2014, our SRI funds had just over €2.2 billion in assets under management. The largest of these funds are in the UK, but we have similar funds in the Netherlands and Hungary. In China we have a separate green fund and a fund that concentrates on positive screening – investing only in the best-performing

stocks from an environmental, social and governance viewpoint. Currently, these funds manage over €1 billion in investments<sup>1</sup>. Two of our three ethical investment funds in the UK - our Ethical Equity and Ethical Cautious Managed funds – posted top quartile returns at the end of 2014 over one, two, three, four and five years.

### By making the companies we invest in accountable

We own shares in companies around the world; we take our role as a shareholder seriously. We have a Global Voting Policy, which sets out our basic approach to voting at shareholder meetings. In 2014, we voted at 1,670 shareholder meetings. Aegon Asset Management publishes an annual Responsible Investment Report that provides details of our voting and engagement.

#### Ethical investing

Last year, we reviewed the screening criteria we use for our ethical funds in the UK. This is something we do every few years. Though our approach to investing has remained broadly the same, it's important we address new ethical issues as they arise. As part of the review, we surveyed mainly investors, advisors and wealth managers. There was broad support for our approach to ethical investing: Kames Capital, our UK asset management business, has some of the strictest ethical funds in the UK. The survey also provided support for investment in green bonds, though we did see differing views in some areas, including investment in banks, alcohol and nuclear power. We use the survey results to update our screening criteria. The results are available online at [kamescapital.com](http://kamescapital.com). We have three ethical investment funds in the UK, with more than €2 billion in assets under management.

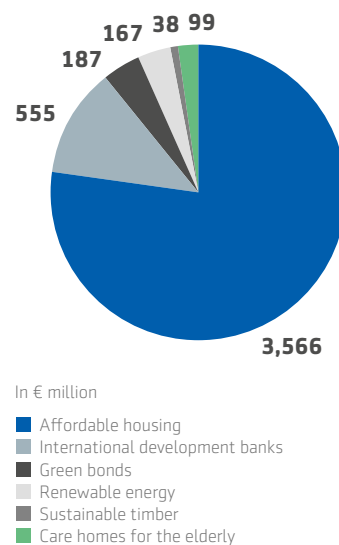
<sup>1</sup> Managed by AIFMC, our asset management joint venture in China.

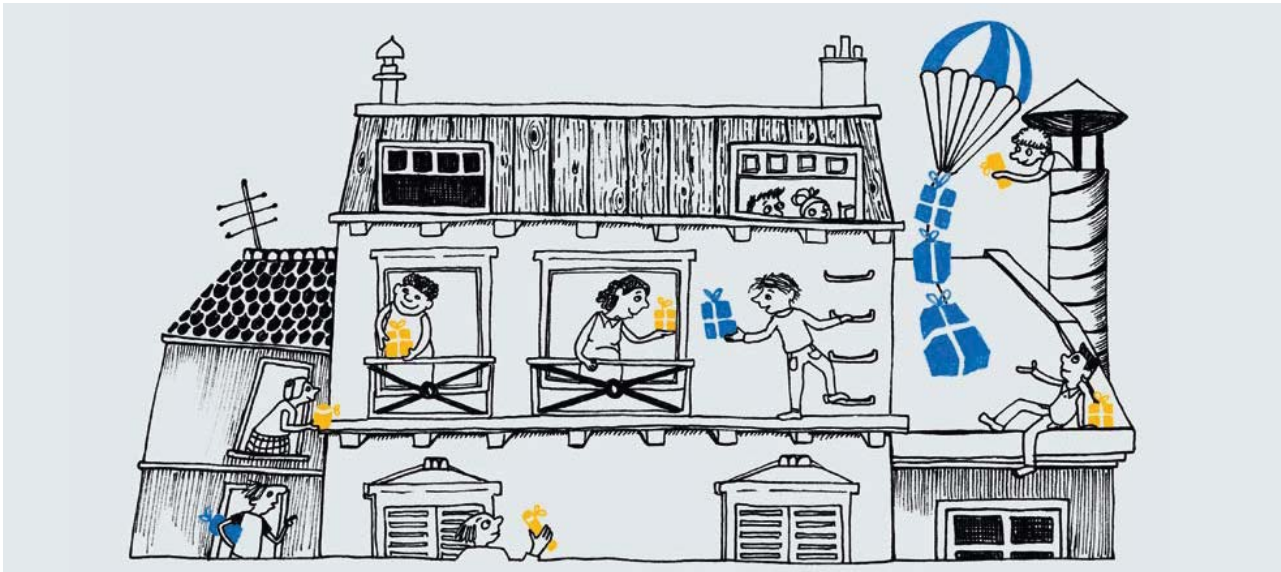
**“Investing responsibly protects investors, pinpoints risk and may improve returns over the longer term.”**

### Impact investments

**€4.6 billion**

Currently we have more than €4.6 billion in targeted 'impact investments' in areas such as affordable housing, renewable energy and green bonds.





## How do we create and share value in **our communities?**

### **By supporting local communities**

We support communities through the taxes we pay, but we also make donations to charities and other good causes. In 2014, we gave €5.4 million. Most of that – 82% – went to projects and initiatives in our three target areas: health, welfare and literacy. In all, we supported close to 600 programs around the world. These ranged from research into serious illnesses like cancer and Alzheimer’s to children’s charities, schools, colleges and care for the elderly. Through our sports sponsorships, we encourage healthier lifestyles and grassroots participation in sports. In the US, we support golfer Zach Johnson’s work with disadvantaged youngsters through his Birdies That Care foundation and Kids On Course program.

We work with a range of charities. Some are small, with only a few volunteers. Others are large national or international organizations, like UNICEF, United Way, or Habitat for Humanity. A big part of our work is in improving levels of financial education – important if, in the future, we’re to avoid problems of poverty and high levels of personal debt. In the US, we work with

Junior Achievement, for example, which offers basic financial skills every year to millions of students. Deciding which causes to support is the responsibility of our local businesses. This approach means we’re able to channel resources to the projects that are most important to our local communities. In the US, donations go through the not-for-profit Transamerica Foundation. As well as the US, we have giving programs in the UK, the Netherlands, Central & Eastern Europe, Spain and Asia.

It’s not just about the money we contribute. Our employees can also claim time-off each year for volunteer work. Last year, Aegon and Transamerica volunteers gave up nearly 17,000 hours to work on local projects and good causes – the equivalent of nearly €700,000<sup>1</sup>. Employee volunteering, we believe, is also good for business: it improves employee engagement and strengthens ties between the company and its local community.

### **By working closely with suppliers and local businesses**

As a financial services company, we don’t have a particularly complicated supply chain. But, as a customer, we make an important

contribution to the businesses around us. In the Netherlands alone, we work with several thousand suppliers. Last year, we paid out €1.3 billion for various goods and services. Most of this goes on IT. We also buy office equipment of course, and utilities like gas, electricity and water for heating and cooling our offices. In addition, we spend a significant amount each year on consultancy and other support services. Our audit costs alone last year for example totaled €18 million. For many of our partners, we’re an important client and a significant source of income. Through them, we’re supporting the creation of jobs and further economic growth. When we select our suppliers, cost is a key consideration. But we also want to know that we’re working with suppliers who share our basic values. That’s why we work through a Sustainable Procurement Policy, which sets out minimum environmental and social standards, covering everything from product safety and corruption to fair wages, working conditions and human rights. Since 2012, we’ve been asking all new suppliers to endorse these standards. And, when contracts come up for renewal, we’ve also been switching over existing suppliers.

<sup>1</sup> Based on current average salaries.

## By taking a responsible approach to tax

We have businesses in more than 25 countries around the world; we have to work with tax authorities in each of these countries, which can make tax a complex subject for us. No company wants to pay too much tax, but at the same time we recognize that we have a role to play in supporting public services through our tax payments. Aside from corporate income tax, we pay taxes as an employer and VAT on some goods and services. We also act as a tax collector – through employees' social security contributions, for example, or by withholding tax on payments to policyholders.

Behind our approach to tax are two main principles. Firstly, compliance: that we work within the rules set by government. And that, in working with the tax authorities, we take an open and constructive approach. Secondly, tax optimization: that, once our business decisions are taken, we work as far as possible to optimize our tax position. For us, tax follows business. Which means our decisions are taken for business reasons, not for tax advantages. We won't, for example, set up artificial tax structures, or base businesses in countries simply to reduce the amount of tax we pay. If we didn't take the opportunity to optimize our tax position where possible, we might put our business, our customers and our shareholders at an unfair disadvantage.

As a company, we discuss tax with local authorities to ensure we understand the regulations in force, that we are interpreting them correctly and ultimately that we're paying the right amount. We publish the amount of corporate income tax we pay, both in total and by main reporting unit. We've been following OECD proposals to move to country-by-country reporting with interest. The majority of the tax we pay<sup>1</sup> is in our three main markets: the US, the Netherlands and the UK. In recent years, there's been more public scrutiny of tax payments by multinationals. We're currently updating our tax policy to address directly the subject of responsible tax.

### Why life insurance captives make sense for US customers

Recently, there's been debate in the US over insurance companies' use of captive reinsurers. It's sometimes claimed that using these captives increases risk for policyholders. We don't agree. Here's why: By using captives, insurers can transfer risk to a separate 'captive' subsidiary. Because the subsidiary is wholly owned, the risk remains with the insurer, and it's reported as part of the group's consolidated results. However, because the captive brings other financing options, the costs of managing reserves related to that risk are often lower. Consequently, there's no additional risk for the policyholder. In fact, we believe there's an advantage. Captives reduce costs and help make life insurance more affordable – the main reason insurers set up captives in the first place. In recent years, we've discussed the use of captives extensively with our regulators. We have no interest in seeing regulation that unfairly disadvantages policyholders. We want reinsurance transactions to be properly disclosed, and handled uniformly – and that's what we'll continue to argue for.

### Tackling cybercrime

For many businesses, cybercrime is a growing concern. In the Netherlands we're offering cover to companies that may be at risk. Worldwide, estimates<sup>2</sup> put the cost of cybercrime at \$400 billion a year. The Netherlands is one of the worst affected countries – relative to the size of its economy. The cost of cybercrime in the Netherlands is reckoned at 1.5% of GDP. Higher than either the US or China, where it's just 0.6%.

**“We're supporting the creation of jobs and further economic growth.”**

## Supporting our local communities

**€18 million**

Over the past three years, we've donated more than €18 million to charities and other good causes around the world.



Includes financial donations and employee volunteering (based on average salaries).

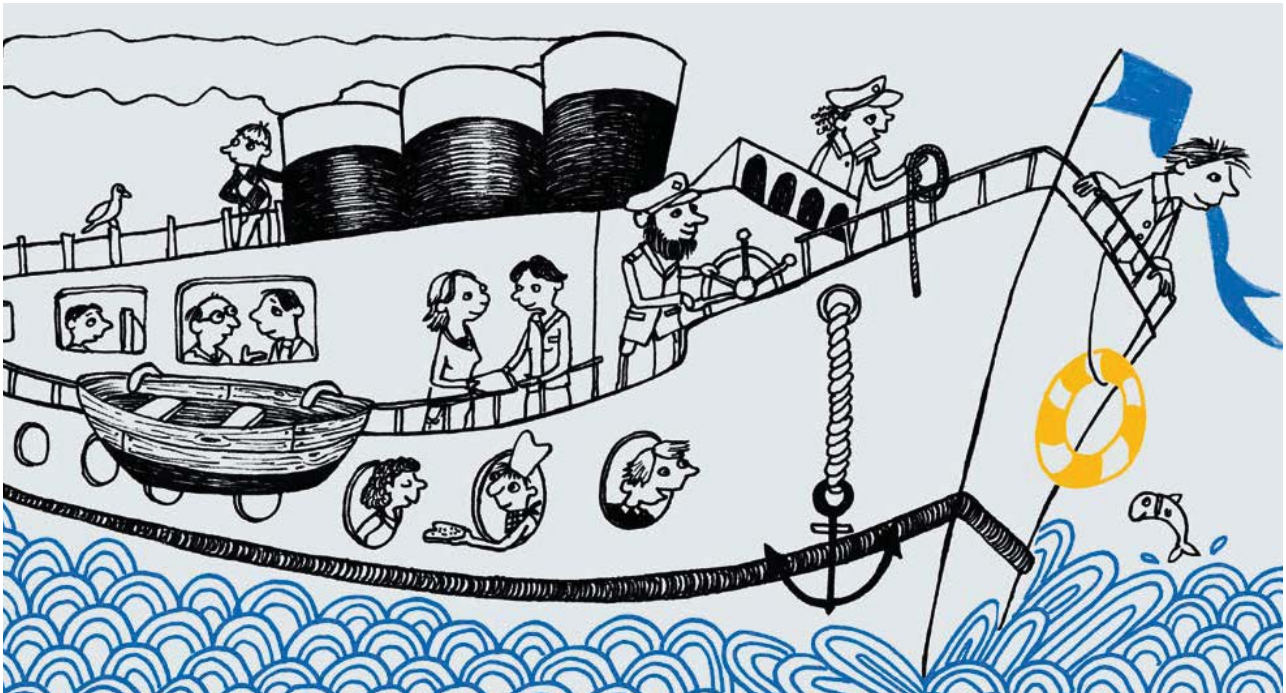
**2,116**  
days

Last year, Aegon and Transamerica employees gave the equivalent of 2,116 days – more than 8 working years – to do volunteer work in their local communities.

<sup>1</sup> In 2014, we received almost €148 million from the tax authorities largely because of refunds in the Netherlands and (to a lesser extent) the US. Please note that there is often no direct correlation between tax on earnings for any given year and amounts paid or received in tax (see page 64 for further details).

<sup>2</sup> Source: McAfee and the Center for Strategic & International Studies.





## How do we create and share value as **a socially responsible company?**

### **By making sure we take responsible decisions**

For us, corporate governance is about trust and accountability. Our system of governance is built on a series of checks and balances. Decisions are subject to intense scrutiny, both internally and externally. Management works with an independent Supervisory Board whose role is to provide guidance and advice and, where necessary, to challenge management's strategy and assumptions. Generally, our Supervisory Board members are former executives from other companies, or financial and corporate experts. We have policies to make sure the Supervisory Board has the right experience and the right expertise, and that it can represent the views and interests of our stakeholders. Supervisory Board members work through four committees: Audit, Risk, Compensation and Nominating.

Shareholders are an important part of our governance. It's their responsibility each year to approve the company's accounts, as well as appointments to Aegon's Supervisory and Executive Boards. Under certain conditions, shareholders may also bring forward resolutions of their own to the company's AGM. Resolutions are voted on the basis of one common share, one vote. We have thousands of shareholders – individuals, as well as professional investors like pension funds and asset managers. We're listed in both Amsterdam and New York; our largest shareholder is Vereniging Aegon, an association set up to protect the interests of Aegon stakeholders.

In terms of management, we have an Executive Board, comprising our CEO and CFO. Legally, this is our main decision-making body. It works closely with our Management Board and Management Committee, made

up of executives from across our businesses. We have internal policies and procedures to help us make decisions, covering areas such as remuneration, health & safety, procurement and employment practices (see page 44). All our employees are bound by a Code of Conduct, and we have a system of risk management, which operates at all levels of the company. In some areas, such as treasury or asset management, we place limits on individual decision-making – to prevent individual employees, for example, from taking financial positions beyond a pre-determined amount or contractually committing the company without the correct authority. In risk management, we have strict policies, which determine how much and what type of risk we're willing and able, as a company, to accept. And, of course, our Risk, Compliance and Internal Audit departments are key in making sure these policies are respected.

### By providing returns for our investors

It's one of the primary functions of business: to provide a financial return on capital, and that's what we strive to do. In the years since the financial crisis, we've seen an overall improvement in our profits. This has allowed us to continue investing in our business, but also to pay out dividends to our shareholders. One of our priorities, as a company, is to make sure we pay sustainable dividends to our investors. Last year, we paid dividends worth €465 million. On top of that, we also paid more than €330 million in coupons on the bonds we issue. Total shareholder returns for 2014, however, were negative, at -5%. This was mainly the result of a drop in Aegon's stock price. Our return on equity, meanwhile, came to 7.8%, short of our 2015 target of 10% - 12%. We're working hard to improve returns – by investing more in high-return businesses, cutting costs and making sure we grow sales profitably.

### By involving stakeholders in our decisions

Engaging with stakeholders is an important part of our corporate governance. We use their feedback to help improve our products, customer service and our decision-making. For us, a stakeholder is any individual or group affected by our business or who, in turn, may affect the environment in which we operate. This could be a customer, or one of our intermediaries. It could equally be a local community group, our regulator or one of our other business partners.

We engage with our stakeholders in various ways – over the phone or face-to-face, through seminars, meetings and regular surveys and polls. We have an extensive investor relations program, for example, which involved more than 800 face-to-face meetings last year with existing or prospective investors. Each year, we organize an independent Stakeholder Survey, which helps us identify material issues – the issues, we believe, that will shape the company in the years ahead. In the US, the Netherlands

and the UK, we also work through customer and other advisory panels. We talk regularly with other insurance companies through industry bodies like the American Council of Life Insurers, the Dutch Insurers' Association and the Association of British Insurers. We're also members of the Global Coalition on Aging, and the Conference Board's Corporate Responsibility & Sustainability Council. All this engagement helps identify possible risks and new opportunities in areas like product development, pricing, customer service and, more broadly, in terms of our reputation as a provider of financial services. Over the past year, for example, we've used input from customers to develop new products, simplify communications and add to existing services.

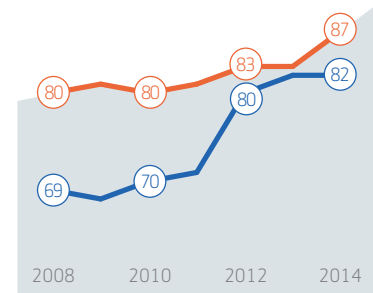
### By respecting our commitments

As a company based in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code, and we're regulated, as a financial services company, by the Dutch Central Bank. We follow other laws and regulations in our local markets, as well as corporate governance guidelines, including the OECD's Guidelines for Multinational Enterprises. In addition to our own system of governance, we have a number of international commitments. Our approach to human rights, for example, is guided by the UN Declaration of Human Rights and the core standards of the International Labor Organization, which cover basic freedoms, as well as topics like child labor, working conditions and discrimination in the workplace. We're also signatories to the UN Principles for Sustainable Insurance (UNPSI) and the UN Principles for Responsible Investment (UNPRI), which set out guidelines for how investors should take into account social, environmental and governance factors when making investment decisions. On climate change, we're members of the CDP (formerly the Carbon Disclosure Project), and the Extractives Industry Transparency Initiative, which works for more transparent reporting in the global mining and energy sectors.

“Our system of governance and decision-making is built on a **series of checks and balances.**”

### Rating returns

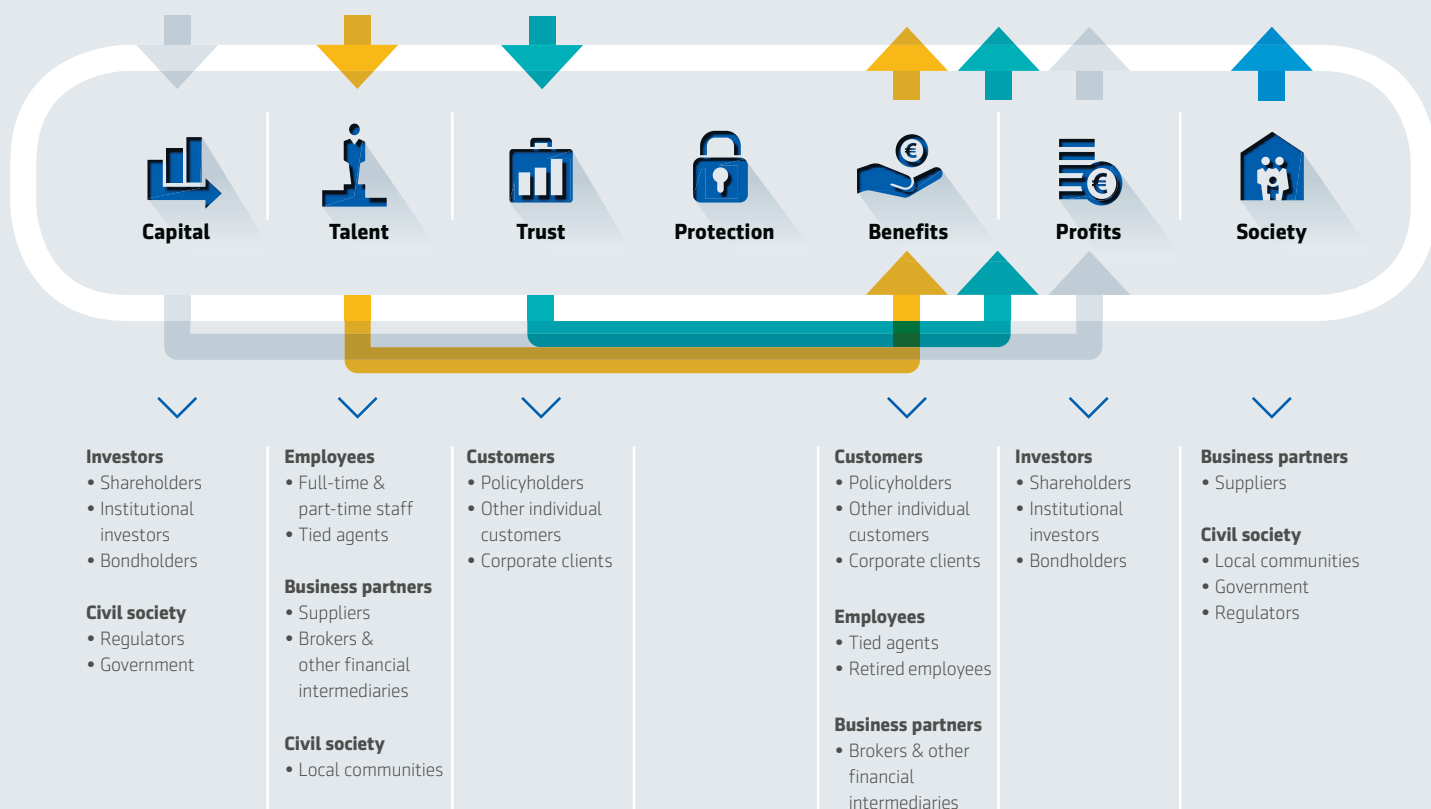
Our Dow Jones Sustainability Index rating has gained 15% over the past four years. The DJSI – probably the world's best regarded sustainability index – currently rates Aegon 'Silver Class', just behind the insurance sector leader.



— Aegon  
— DJSI insurance sector leader

# 77%

According to our latest survey, more than three quarters of our employees believe Aegon is a 'socially responsible company'.



### Retirement readiness

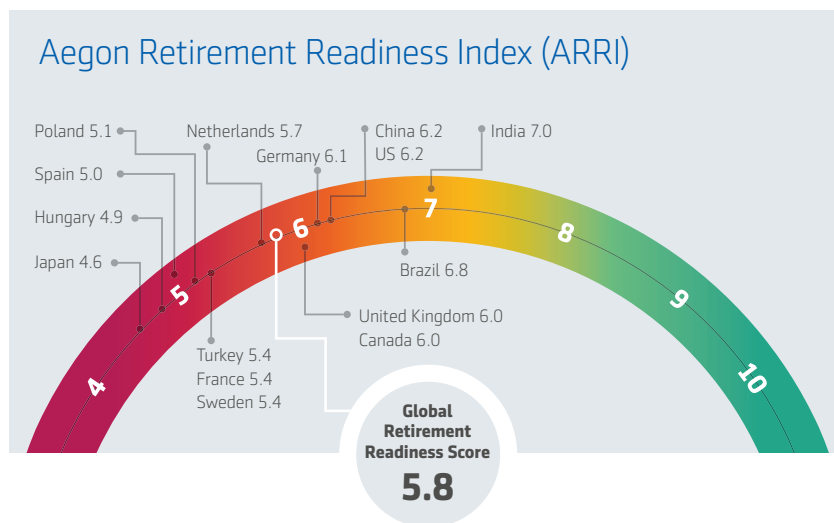
Every year, we carry out in-depth research into attitudes toward pensions and retirement. Our annual Retirement Readiness Survey covers 15 countries in the Americas, Europe and Asia, and 16,000 people either in employment or who are now retired. The research is an important way for us to raise awareness of retirement issues – from changing work environments and pension reform to the growing need for long-term health care. Last year, we also published a report on some of the difficulties women in particular face in saving for retirement. Nearly a quarter of women we surveyed associate retirement with insecurity and almost one-fifth with poverty.

We started our retirement research in the US fifteen years ago. Our US research is carried out by the not-for-profit [Transamerica Center for Retirement Studies \(TCRS\)](#), based in Los Angeles. Our US survey is one of the largest independent studies of its kind, and every year its findings are widely reported in the US media. As part of plans to expand our research, we're now setting up a counterpart

in the Netherlands – an Aegon center for retirement studies – to work closely with TCRS on future research.

There's a strong need for people to save more for their retirement. The Aegon Retirement Readiness Index assesses 'retirement readiness' on a scale of 1 to 10 (see below). Latest research shows people in

India currently feel the best prepared for retirement; among the least prepared are those in Japan, Hungary and Spain. Overall, our survey last year found that, despite improving economic conditions, very few people believe they'll be able to retire comfortably. For more information on our research, please go to [aegon.com](#).





### Low interest rates

**“It’s a different environment,** with low interest rates. And a different challenge for our customers. That’s where we can help – by making sure they can meet that challenge.”

**Edgar Koning**

Chief Financial Officer (the Netherlands)



We have internal policies and procedures to help us make decisions, and to make sure those decisions are in the long-term interests of Aegon and its stakeholders. Where possible, we publish our policies and procedures online.

Area of activity	Our approach Policies, statements & guidelines	Publicly available?
<b>Corporate governance</b>	Our approach to corporate governance is set out in full in our <a href="#">Annual Report</a> and our <a href="#">Corporate Governance Statement</a> . We also have <a href="#">Articles of Association</a> , and <a href="#">charters for our Supervisory, Executive and Management Boards</a> . In addition, we have internal approval requirements setting out which decisions must be taken by the Executive Board, when, and under what circumstances .	
<b>Workplace</b>	All Aegon employees are bound by our <a href="#">Code of Conduct</a> , which covers areas such as anti-corruption, data privacy and customer behavior in the workplace. Alongside the Code of Conduct, we also have a <a href="#">Statement on Diversity &amp; Non-Discrimination</a> , insider trading rules for employees, rules for <a href="#">charitable donations</a> and a <a href="#">Health &amp; Safety Statement</a> , setting out minimum standards across the organization. In addition, there is a <a href="#">Financial Crime Investigation, Notification &amp; Reporting Procedure</a> , which deals with fraud, bribery and other forms of corruption. Our company <a href="#">Environmental Policy</a> stresses the importance of reducing consumption of energy and other raw materials, such as paper and water.	
<b>Pay &amp; remuneration</b>	We have a Global Remuneration Framework, based on the principle of pay for performance. The Framework sets down principles of governance covering both fixed and variable pay. Alongside the Framework, we also have specific remuneration policies for members of both our <a href="#">Executive</a> and <a href="#">Supervisory Boards</a> .	<sup>1</sup>
<b>Operational risk</b>	We have an Operational Risk Policy, which sets out our approach to social, environmental and other business risks. Our Operational Risk Policy operates in conjunction with other financial risk policies and procedures.	<sup>1</sup>
<b>Human rights</b>	We have a <a href="#">Human Rights Policy</a> , linked to the UN Declaration of Human Rights and the International Labor Organization's core standards. This Policy is supported by a regular human rights risk assessment, covering our businesses in the Americas, Europe and Asia. As part of this assessment, we provide detailed information to our business units with regard to the company's obligations under the UN Guiding Principles on Business & Human Rights.	
<b>Responsible investment</b>	We have a <a href="#">Responsible Investment Policy</a> , with minimum social, environmental and ethical standards for the companies in which we invest. Alongside the Responsible Investment Policy, we also have an <a href="#">exclusion list</a> (those investments we won't make), and a <a href="#">Global Voting Policy</a> , setting out guidelines for how we behave as a shareholder in other companies.	
<b>Dividends</b>	We have a <a href="#">Dividend Policy</a> , which links payment of shareholder dividends to profitability and cash flows.	
<b>Sustainable procurement</b>	We have a <a href="#">Sustainable Procurement Policy</a> . Similar to our Responsible Investment Policy, this sets out social, ethical and environmental standards for our suppliers.	
<b>Reporting</b>	We publish an <a href="#">Annual Report</a> and a <a href="#">Form 20-F</a> – in compliance with regulations in the Netherlands and the US. The Annual Report is our main regulatory document. In addition, we publish this annual <a href="#">Review</a> , our integrated report, summarizing the company's economic, social and environmental performance. Our Annual Report and Form 20-F are prepared in accordance with International Financial Reporting Standards (IFRS) <sup>2</sup> . For our Review, we use G4 reporting standards issued by the Global Reporting Initiative (GRI) (we also take into account guidelines from the International Integrated Reporting Council and the US Sustainability Accounting Standards Board). For more details, please see our <a href="#">Reporting Supplement</a> available online at <a href="#">aegon.com</a> .	

### Aegon's approach to human rights

Over the past two years, we've been working hard to bring Aegon fully into line with the new UN Guiding Principles on Business & Human Rights. We already had a company Human Rights Policy. Human rights were also covered in our [Code of Conduct](#) and our policies on procurement and responsible investment. And we had a [Global Ethics Line](#), where employees could register complaints anonymously, without fear of retribution.

But, with the new principles, we decided to go further. We've now made it easier for people outside the company to use our Global Ethics Line. We've incorporated human rights into the due diligence we carry out before agreeing acquisitions or partnerships with other companies. And we've carried out our first human rights risk assessment, the results of which were discussed last year with our Management Board. This assessment was important in helping us identify possible areas

of risk. During the year, we acted in Ukraine where, because of the security situation, we closed a number of offices in the east of the country. We also took steps in India where, like other financial companies, we face significant risk of fraud and corruption. For example, in the past several months, we've stepped up our screening of intermediaries. We've also strengthened our monitoring of complaints, and taken action against intermediaries behaving unethically.

<sup>1</sup> For competition reasons, we don't make our Global Remuneration Framework or our Operational Risk Policy public.

<sup>2</sup> Aegon's Annual Report is prepared in accordance with IFRS as adopted by the EU.