

# Management Board statement of materiality and significant audiences

Every year, we identify the issues that matter most to us and our stakeholders. These are issues that we believe will shape the future of our company over the next three to five years. They are what we consider to be our 'material issues'.

Material issues influence not only our business, performance and reputation, but also our ability to continue creating value for our stakeholders. We discuss these issues internally and use them to set the strategic direction of the company.

To identify our material issues, we gather the views of all our stakeholders and our senior management. While every stakeholder is important to us, we do apply a level of weighting to stakeholder groups that we think are key to the success of our company and our strategy, for example, our customers.

This year we saw some changes. In terms of material issues for both our stakeholders and our management; internal risk culture, increased regulation, capital requirements, and transparent products and services were less highly rated. While these remain extremely important to us, these issues are very much embedded in our 'business as usual' activities, and so we determined other issues to be more material. For example, we saw *Aging and changing demographics* increase in importance. This is an area we take very seriously; it is demonstrated by our commitment to retirement readiness

research. Interest rates also continue to be a top three material issue for us, alongside *New technologies and digital transformation* and *Customer experience*.

This Review is our sixth integrated report, and is intended for our customers, investors and other stakeholders. It sets out the environment in which we operate and the path we plan to take as a company over the coming years. It also demonstrates the significance of various aspects of social, economic and governance performance to our stakeholders so that we can create long-term financial value.

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We move with the world around us

# Our operating environment

# Introduction to our operating environment

Economic conditions, geopolitics and social factors can have an effect on our profitability, operations and reputation. We cannot always control what happens in our operating environment but we can be prepared. This starts with identifying the biggest issues affecting our business. We call these our material issues.

We are a global company with many stakeholders. We have the potential to have an impact on the people, the countries and the economies in which we operate. We make every effort to ensure this is a positive impact.

## Materiality assessment

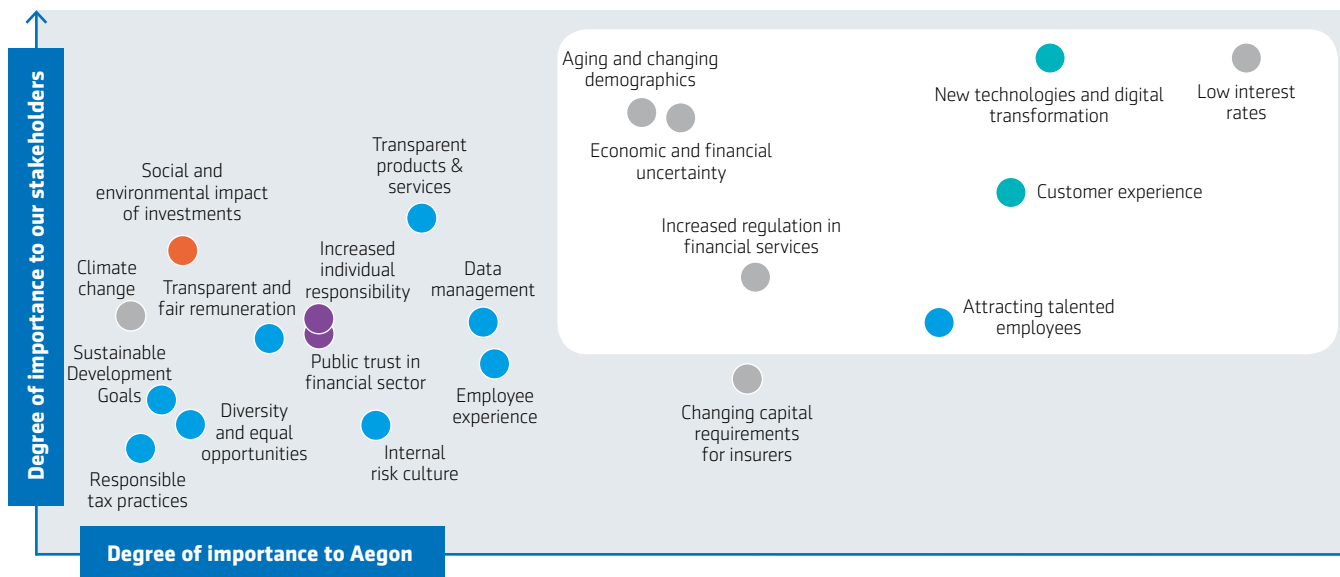
Material issues are important to our business. They inform our strategy and also determine our approach to reporting. We define material issues as those that will have a significant long-term impact on our profitability, our operations or our reputation.

To determine the issues that are most material to us, each year we ask independent consultants Steward Redqueen to survey our stakeholders and our senior management. This includes the trends and issues that we believe can, or will, have an impact on our business<sup>1</sup> – everything from climate change and responsible tax, to low interest rates and digital transformation. We then ask the respondents to identify these issues and rank them in order of importance. The results are plotted on our materiality matrix (which you can see below). The issues that are most relevant to both our stakeholders and our senior

management are then identified as our material issues. A summary of the materiality matrix results is then shared with both our Management Board and Supervisory Board for their review and discussion.

## Stakeholders

Our stakeholders are a broad group that include customers, employees, investors, financial analysts, sustainability analysts, peers, government, regulators, independent experts, academics and NGOs. They are asked to participate in the materiality survey on



## Ability to control or influence

- Direct control**  
Issue is entirely within the company's control.
- Shared control**  
Control of the issue is shared with, or exercised through, another company, organization or third-party.
- Strong influence**  
Company has ability to influence the issue within its own businesses and value chain.
- Some influence**  
Company has ability to influence, but only within its own businesses (not its wider value chain).
- No influence**  
Company has little or no meaningful control or influence over the issue.

Please note, the focus of our materiality assessment was on non-financial issues. Due to the nature of our business and the maturity of our financial reporting, we have not included financial terms as part of this assessment. Financial impacts/externalities are also part of changing capital requirements, low interest rates and economic and financial uncertainty.

Source: Steward Redqueen

the basis of geographical balance and representation. In addition, participants who are familiar with Aegon and the financial services sector were sought. We also try to include some of the previous year's respondents to ensure results are comparable.

To provide an accurate representation, stakeholder groups receive a weighting in the overall results. For example, customers and employees are more heavily weighted than academics and independent experts. Peers and

industry associations are more heavily weighted than NGOs or stakeholders from government or regulators. This year, 241 individuals from 29 organizations and ten stakeholder groups provided their views on what they think matters most to Aegon.

**Material issues**

Our leadership takes all these issues seriously. However we do identify some as 'Key material issues' – which are areas of focus. We highlight and discuss these seven key material

issues throughout this Review. These issues are seen as current and potentially future trends in our operating environment. Whether we have direct control over these or not, they continue to have a strong influence on our business. Customer experience is covered in page 53, Attracting talented employees is covered in page 55, and the others are discussed in the following pages.

**Interest rates** remained at historic lows in 2016 and only showed some recovery in the second half of the year.

**Digital technologies** are opening up new opportunities – and risks.

Our **customers** are at the heart of our business.

**Attracting and retaining talent** is a challenge. We need to have the right measures in place to help with this.

