

AEGON Asset Management



RESPONSIBLE INVESTMENT REPORT 2011

HIGHLIGHTS 2011

In 2011:

- AEGON Group published a new Global Responsible Investment Policy
- AEGON Asset Management (AAM) engaged with 227 companies on subjects such as corporate governance, the environment, animal welfare, transparency, remuneration, health & safety and human rights
- AAM became a signatory to the Principles for Responsible Investment (PRI)
- AEGON put in place a Global Responsible Investment Committee
- AAM initiated a procedure to select an ESG data provider
- AAM invested in ESG training for its analysts and portfolio managers
- AEGON had impact investments in wind power (more than EUR 150 million), affordable housing and retirement homes (EUR 2.6 billion) and, sustainable timber (EUR 108 million), all together amounting to almost EUR 3 billion
- AEGON had SRI products which, at the end of 2011, amounted to EUR 1.2 billion in AuM

DEFINITIONS

In this text, the following abbreviations are used:

RI	Responsible Investment
RI Committee	AEGON Responsible Investment Committee
ESG	Environmental, Social and Governance
AAM	AEGON Asset Management
AAM RI	AAM's Responsible Investment team
GA	General Account (funds held on the balance sheet of AEGON for its own account, for the purposes of meeting the guaranteed liabilities to its customers, and shareholders' funds available for investment)
PRI	Principles for Responsible Investment

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FOREWORD

Welcome to the first Responsible Investment Report published by AEGON Asset Management (AAM).

This report follows the 2011 AEGON N.V. Annual Review and Report published on March 23, 2012. In this report, Alex Wynaendts, Chief Executive Officer and Chairman of the Executive Board of AEGON N.V., outlined the challenges the AEGON Group faces and how vital it is to fulfill the promises we make each and every day and over the longer-term.

Also in that report, AEGON reaffirmed its commitment to providing simpler, transparent products and consistent high-quality service to our clients, to help them make the right choices to meet any of life's contingencies, and to provide financial security throughout a longer retirement.

For AAM those commitments speak to two of our objectives.

First, given that we are significant investors in a large number of industries and companies, and take our responsibility as capital providers seriously, both AEGON and AAM aim to contribute broadly to wellbeing and sustainable development. We also believe that integrating ESG criteria into ownership and investment decision-making can have a positive impact on our clients' long-term risk-adjusted financial returns.

Second, we believe that it is important that we outline the work being done to implement our approach to Responsible Investment across AAM to support the provision of sustainable products and services to clients.

This report discusses the Responsible Investment activities and developments at AAM during 2011.

Harald Walkate

Head of Responsible Investment

AEGON Asset Management

ABOUT AEGON AND AAM

About AEGON

AEGON N.V., and its subsidiary companies that are collectively referred to as AEGON or the AEGON Group, is an international provider of life insurance, pensions and asset management products. AEGON is also active in accident, supplemental health and general insurance, and has limited banking products and services. AEGON has more than EUR 420 billion in revenue generating investments, employing over 25,000 people and serving 47 million customers in more than 20 countries in the Americas, Europe and Asia. AEGON's main markets are the United States, the Netherlands and the United Kingdom.

AEGON manages investments for its own account and on behalf of its policyholders, and also provides customers with access to a broad range of investment products. For a large proportion of its assets, AEGON acts as the investment manager (through AAM) or is involved in the process of selecting investment managers.

AEGON accepts the responsibilities it has as one of the world's leading institutional investors. It also recognizes the increasing importance both to AEGON and its stakeholders to invest responsibly, since poor social, environmental or governance practice may affect the value of the companies in which it invests.

About AEGON Asset Management (AAM)

Leveraging a strong heritage of fixed income expertise across a wide range of products, AAM offers a rigorous, structured and research-driven approach to investments on behalf of its clients. With fund managers based out of Europe, North America and Asia, AAM is able to offer global and local investment strategies to deliver long-term value in accordance with each client's risk profile.

AAM is made up of the following companies:

Netherlands:	AEGON Investment Management (AIM), TKP Investments (TKPi), Pelargos and Saemor
United States:	AEGON USA Investment Management (AUIM) and AEGON USA Realty Advisors (AURA)
United Kingdom:	Kames Capital
Canada:	AEGON Capital Management (ACM)
Spain:	AEGON Asset Management Spain (AAM Spain)
CEE:	AEGON Hungary Fund Management (AAM Central & Eastern Europe)
China:	AEGON Industrial Fund Management Company (AIFMC; 49% joint venture)

As of December 2011, AAM had more than EUR 220 billion of assets under management.

RESPONSIBLE INVESTMENT AT AAM

At AEGON Asset Management (AAM), we place great importance on the responsibilities we have to provide sustainable products offering the best long-term risk-adjusted returns possible, consistent with individual customer requirements.

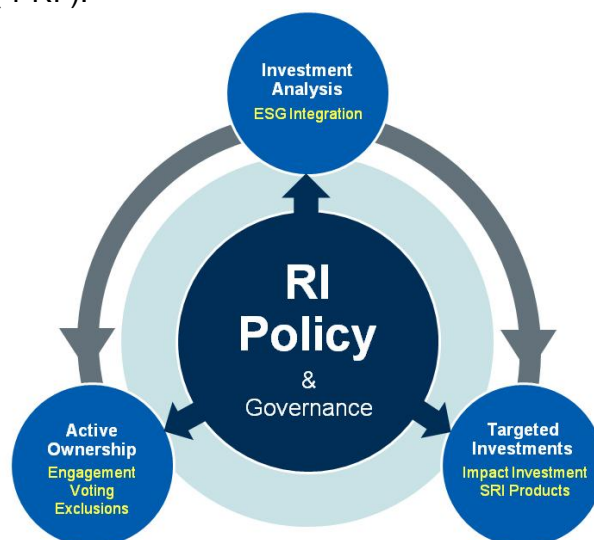
Further, as a significant investor in a large number of industries and companies, AAM also has responsibilities as a capital provider, which it takes seriously. AAM aims to contribute broadly to wellbeing and sustainable development through active ownership, and also believes that integrating ESG criteria into ownership and investment decision-making can have a positive impact on long-term risk-adjusted financial returns.

AAM defines RI as follows:

“Investment processes that actively consider environmental, social and corporate governance (“ESG”) factors in investment activities, decisions and ownership practices.”

Therefore, when AAM was established in October 2009 through the merger of different asset management companies across the AEGON Group, it was made a priority to develop a more coordinated approach to RI activities.

In December 2010 a broad RI framework was approved by the AAM Management Board, and therefore in 2011 our efforts have focused on implementing the key elements of this framework: global policy development, coordinated engagement and voting, and enhanced ESG integration. The implementation of this framework was supported by the AAM Management Board’s decision to become a signatory to the UN-backed Principles for Responsible Investment (“PRI”).¹



For the longer term, we are also reviewing our offering of sustainable and responsible investment (“SRI”) products in various countries, and are looking at the ways that AEGON and AAM can contribute to the emerging field of impact investment. This report provides details on these activities and developments.

¹ AAM subsidiary Kames Capital became a PRI signatory in 2008.

RESPONSIBLE INVESTMENT IN 2011

Global RI Policy & Governance

Policy

Before AAM became a signatory to the PRI in early 2011, it had become apparent that there was no central policy guiding AAM in which standards to apply to investments for our internal clients: the insurance companies in the AEGON Group. Until that date, responsible investment standards had been set in individual country unit investment mandates and local responsible investment policies.

Upon our PRI signature, work therefore began to develop a global Responsible Investment Policy outlining a consistent AEGON approach to RI, which the Management Board of AEGON N.V. adopted in November 2011. The Policy sets a number of standards that are used to evaluate the companies and countries in which we invest. It also includes measures to ensure we act on our responsibilities as a significant capital provider, as an active owner, and incorporate environmental, governance and social criteria into our investment decision-making process.

The Policy is guided by broadly accepted international frameworks such as the UN Global Compact and OECD Principles of Corporate Governance and is built around three separate concepts:

1. AEGON excludes certain investments in its own proprietary (GA) portfolios
2. AEGON will engage with companies that appear to fail to live up to our standards, to better understand their situation and, where possible, work for improvement
3. AEGON includes ESG factors in its investment analysis and decision-making

The policy applies to all AEGON wholly-owned or majority-owned companies where it has management control and applies to all major asset classes as far as is practical.

Governance

When the RI Policy was launched, a global Responsible Investment Committee was also established. This Committee meets on a quarterly basis, and is made up of representatives from the larger AEGON insurance and pension units, AEGON Corporate Center, and AAM. The Committee oversees implementation of the Policy, which includes drafting and updating of sector and issue policies, monitoring the engagement program and maintaining exclusion lists.

Active Ownership

In line with the AEGON RI Policy, AAM has a number of tools at its disposal to live up to its commitment to active ownership: exclusions, engagement and voting.

Exclusions

The AEGON exclusion lists that are applied by AAM are set by the RI Committee, and apply solely to the GA assets of AEGON (an exception is made by AEGON the Netherlands, which has decided that the exclusion lists should apply to all assets managed by AAM NL).

In setting these exclusion lists, the RI Committee is advised by AAM RI, which obtains research from external consultants or from authoritative sources on companies or governments which may be involved in controversial activities. The RI Committee has detailed guidelines that support the decision-making around exclusions.

AEGON may exclude companies or states for two reasons.

First, as the ultimate remedy in engagement processes where AEGON feels a company does not – and will not within a reasonable time period - meet the standards set out in its policies.

Second, to recognize international consensus. At this point international consensus is recognized around investments in controversial weapons (the manufacture, development, trading and maintenance of biological weapons, chemical weapons, anti-personnel mines, cluster bombs, munitions containing depleted uranium, and nuclear weapons involving countries outside the scope of the Non-Proliferation Treaty) and investments in bonds issued by states that systematically breach human rights.

AEGON maintains a list of those companies, governments and other entities which are at any time excluded from investment consideration from its GA, as set by the RI Committee.

The AEGON exclusion lists that are in force as of the date of this report are attached in Appendix 3.

CASE STUDY: EXCLUDE OR ENGAGE?

In 2011, AEGON introduced a new Responsible Investment Policy. As part of this Policy, it was decided to exclude a number of companies from investment. These companies were all involved in the manufacture, development, trading or maintenance of controversial weapons, like cluster bombs and anti-personnel mines. How did AEGON arrive at this decision? What about companies involved in human rights abuses, for example? Or companies that are guilty of labor malpractice or polluting the environment?

Like many other investors, we talk regularly with humanitarian and other international aid organizations about these concerns. Often we share them – and we raise them with the companies we invest in. We recognize of course the risk these issues may pose to the value of our investments. And the potential damage they may do to our reputation as the investor. There is also a moral dimension. Some would argue – perhaps rightly, perhaps not – that investment in any company involved in the arms trade, or any company that harms the environment, is morally wrong. Very often, such arguments are a matter of personal or political conviction – rather than, say, an obvious case of illegal activity or wrongdoing.

Clearly, for AEGON, it was not possible to base its approach to investment on personal or political convictions. AEGON had to find a way of balancing the views of a number of different stakeholders, not least those customers who rely on AEGON to invest and grow their savings. AEGON also had to consider a difference in attitudes between Europe and the United States, particularly over where the responsibility of business should begin and end. An added complication was the difference between European and US policy in areas such as cluster bombs and landmines.

The AEGON Policy stresses the importance of engagement – talking with management at those companies we invest in to identify where improvements can be made. The Policy excludes investments to companies where engagement has failed or that have been identified by international consensus as engaging in undesirable activities or businesses.

The issue of nuclear weapons is a good illustration of the difficulties we faced. Of course, there is a moral argument against the use and manufacture of such weapons, but there is no clearly established international consensus. Indeed, nuclear weapons are held by a number of democratically-elected governments, including both the United States and the United Kingdom. There is, however, international consensus on the need to prevent the spread of nuclear weapons, through the nuclear Non-Proliferation Treaty. This treaty limits the number of countries that may own nuclear weapons and restricts the trade in nuclear technology. We decided therefore that, as part of our Responsible Investment Policy, we wouldn't exclude all companies involved in nuclear weapons. But we would exclude those companies dealing with countries outside the scope of the Non-Proliferation Treaty.

This approach doesn't mean that decisions are always straightforward. Situations change, of course, and at times even international consensus can be hard to identify. AEGON has a special responsible investment committee which has the final say on exclusions. That said, the advantage of this approach is that it gives our Responsible Investment Policy the broadest possible base. Whatever its drawbacks, it's also a practical and objective way of dealing with some of the very real dilemmas of responsible investing.

Engagement

In line with the AEGON RI policy, and with AAM's commitment to the PRI, AAM has established a process to engage with companies that do not conform to the standards outlined in the relevant policies.

AAM engages in three ways with companies we invest in:

- Directly, by AAM RI
- Directly, by AAM RI but supported by an external research provider (Sustainalytics), and
- Indirectly, through collaborative initiatives (for example, the PRI collaborative engagement platform or the Association of British Insurers)

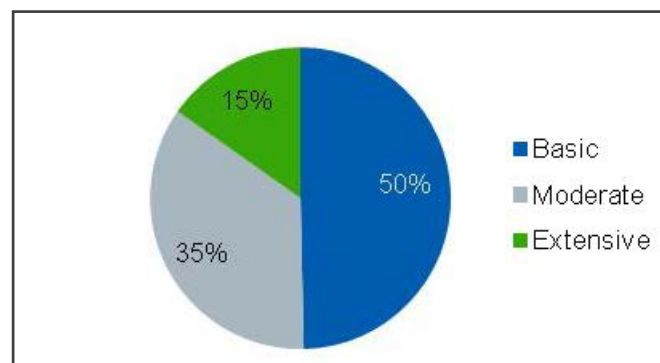
Engagement activities are primarily initiated and managed by the AAM units Kames Capital (UK) and TKPi (the Netherlands), as well as by the global AAM RI staff. These engagement activities are coordinated through monthly conference calls.

The AAM engagement program is monitored by the AEGON RI Committee; developments in engagement dialogues and progress made are a standing agenda item, and decisions on initiation and termination of engagement dialogues are made by the RI Committee. Where possible, AAM seeks to directly involve portfolio managers and analysts at AAM units in the engagement activities.

Engagement in 2011

- In 2011 AAM engaged with **227** of companies on a range of ESG issues.
- **62 %** of AAM engagement activities were related to corporate governance matters; **38%** were related to environmental or social issues.
- We classify and record our engagement activity as basic, moderate or extensive, the same classifications used by the PRI in their annual self- assessment questionnaire.²

Engagement type



² Definitions in Appendix 1

Engagement themes and cases

In 2011 AAM held discussions with companies on a number of themes, as illustrated in the cases below.

HUMAN RIGHTS

- The main engagement theme in 2011 was human rights: obtaining a better understanding of the human rights issues that companies face, how they deal with these challenging issues through policies, risk management and compliance, and how they report on human rights related issues.
- The importance of this theme in 2011 is also a reflection of the increased awareness of companies' obligations to not violate human rights in the course of their activities, and to provide redress when infringements occur, as outlined in the UN "Protect, Respect and Remedy" Framework developed by professor John Ruggie.
- AAM had a number of positive outcomes from its engagement activities regarding human rights.

CASE 1

TKPi led a dialogue with an energy solutions and transportation company involved in hydro-electric projects in Africa. The company faced allegations of forced evictions, amongst other possible violations of human rights, in some of its projects. In an extensive dialogue the company provided details on its human rights policies, which were confirmed to be fully in line with the Ruggie Principles. The company provided detail on several human rights initiatives, including membership of a pilot group of companies implementing the UN Global Compact "Toolkit on Responsible Business in Conflict-Affected and High-Risk Areas". It also referred to human rights risk management mechanisms in place, and stated that it has extensive dialogues with government authorities to discuss concerns. The company committed to updating its overall human rights policy which will be based on the results of the aforementioned pilot project. Upon TKPi's request it committed to disclose more information about human rights in its standard reporting, and it indicated it would like to further collaborate with TKPi on this matter. TKPi is continuing to monitor progress at this company.

CASE 2

AAM RI initiated a conversation on human rights with a global telecommunications company; the company had been subject to criticism around the human rights dimension of its communication infrastructure projects in Sudan and Burma. AAM asked the company to provide information on human rights management systems and other due diligence measures adopted by the company to meet its commitments as a signatory to the UN Global Compact. In addition, AAM asked the company to consider becoming a member of the Global Network Initiative (GNI), or alternatively to update its human rights policies to align it with best practices in the industry.

A constructive dialogue was established with the company, and the company committed to update its human rights risk management system mid 2012 and to increase disclosure on human rights matters in its next annual report, as well as to link with concerned stakeholders on human rights and have follow-up meetings with AAM. AAM is monitoring developments at this company.

CASE 3

TKPi and AAM RI, in cooperation with ACM (Canada), successfully engaged with a large mining company. The company committed to align its human rights policy to the recommendations of the Ruggie framework, and is developing a human rights-KPI monitoring and compliance program. It committed to improving disclosure on resettlement activities for local landowners and security incidents on environmental management and on the social impact of its operations. In addition, the company decided to establish an advisory board on sustainability matters.

However, implementation of policies at a number of the company's sites remains a concern and the company is not willing to commit to a ban on riverine tailing (dumping waste in rivers or oceans) for future operations. We will remain in dialogue with this company to monitor progress on the commitments, and continue the discussions on the open issues.

LABOR RIGHTS

- AAM also emphasizes labor rights as a key issue in engagement dialogues. Not meeting applicable labor standards is not only unacceptable from a normative perspective, it can also impact long-term investment performance, e.g. through high staff turnover rates, reputational issues, or litigation over infringement of applicable local or international laws.

CASE 4

TKPi held a successful engagement dialogue on child labor with a large rubber and tire producer, whose operations in West Africa had long been associated with problematic working conditions and the use of child labor.

TKPi requested evidence of “no child labor” in the producer plants, including evidence of a management system aimed to avoid child labor, also covering the supply chain. The company adopted a zero-tolerance child labor policy and has stated that it does not employ staff under the age of 18; the policy has been communicated to all employees. In addition the company adopted new collective bargaining agreements that indicate that working conditions have improved and that families no longer feel compelled to bring their children to the plants. NGOs and other stakeholders consulted by TKPi have confirmed the statements made by the company indicating that the risks of child labor have significantly decreased. Although the company’s responses and actions indicate a serious commitment to address the issue, some elements to prevent child labor in all of its operations are still needed, such as a commitment to independent audits. TKPi continues the discussions with the company and will monitor progress.

ENVIRONMENTAL PROTECTION

- The Kames Capital engagement program is currently focused on environmental and social issues in sectors where these issues are most material to financial performance, namely mining, oil and gas, and chemicals.
- The important engagement issues in 2011 included mining and operational safety performance, oil drilling in sensitive environments, artisanal mining, oil-sands, shale gas, new project development standards environmental & social performance standards, operations subject to regulatory fines and other.
- Kames Capital is an investor signatory to the Extractives Industry Transparency Initiative (EITI), which supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. As a signatory to the Initiative, Kames is keen for appropriate companies that Kames invest in to also become formal signatories, thus in 2011 Kames contacted at least 30 mining and oil and gas companies with a request to support the Initiative. All those companies were owners and/or operators of assets in EITI ‘candidate’ countries, but were not formal supporters of the Initiative. In Kames’ dialogues it was highlighted why it was applicable to their operations and also the legislative trend towards greater revenue transparency associated with the extractives industries that is occurring.

GOVERNANCE

- AAM pays a great deal of attention to governance at the companies we invest in. Good governance enables a company to make decisions that maximize overall shareholder value and stabilizes a company, allowing it to better weather difficult circumstances. Good governance is also important for shaping perceptions with external stakeholders: partners and customers want to work with companies that are well-positioned to continuously provide services for the duration of their relationship.
- Primarily through the engagement program at Kames Capital, AAM engages with companies on remuneration and board structure issues prior to the shareholders meetings.
- Governance is also a key issue in our voting activities.

CASE 5

In 2011 Kames Capital engaged with a provider of rental equipment, with regards to a new remuneration plan. The existing arrangement on the structure of the annual bonus was unsuitable due to the cyclicity of the company's earnings. Bonus awards were either being made at the maximum level or not at all, and the executive management teams were not appropriately incentivized in our view. The company was proposing to implement a change in relation to this issue.

As Kames had discussed the difficulties in creating meaningful targets for this company in previous years, it welcomed the opportunity to discuss the proposed changes in further detail. The initial consultation document proposed an arrangement intended to smooth the effects of cyclical earnings but included some elements that Kames fundamentally did not agree with. However, after a meeting with the Chairman of the Remuneration Committee and the company's remuneration advisors and further correspondence including our suggestions on alternative structures, the proposal was eventually changed to a format that could be agreed upon. Following the changes, Kames was able to support the changes at the Annual General Meeting.

Voting

AEGON uses the voting rights attached to the shares of companies that it invests in to promote the standards set out in its RI policies.

AEGON has a “Global Voting Policy”, which was adopted by the Executive Board of AEGON N.V. in 2008. This policy sets out company-wide practices and principles for all its asset management operations, and operates alongside existing local initiatives.

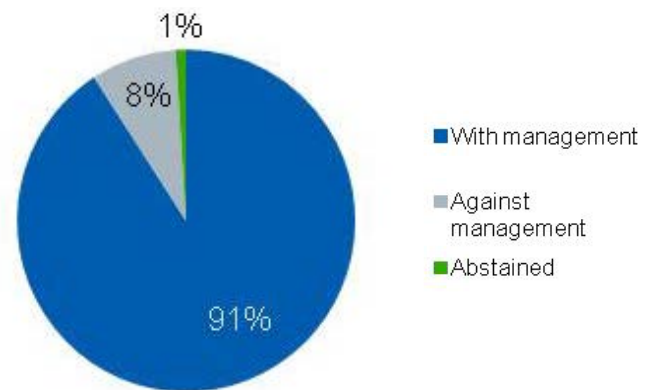
In this policy, AEGON points to a range of international and national corporate governance best practice initiatives and regulations that are applicable to the various AEGON and AAM units that are equity owners. A number of AEGON and AAM units have also adopted supplementary voting policies that are tailored to local best practices and governance principles.

A number of AAM units also work with external proxy voting agencies to support these voting activities.

In 2011 AAM voted on 1,777 meetings, on at least 23,399 agenda points.

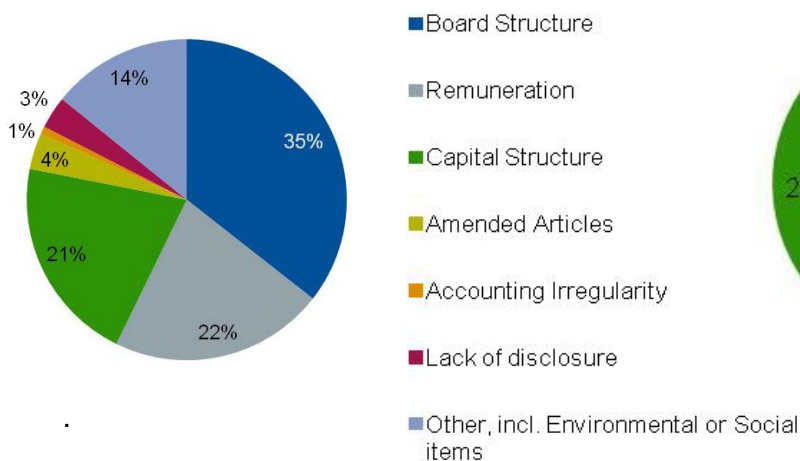
91% of votes were cast “with management”, 8% were “against management”, and AAM abstained in 1% of cases.

Votes cast in 2011

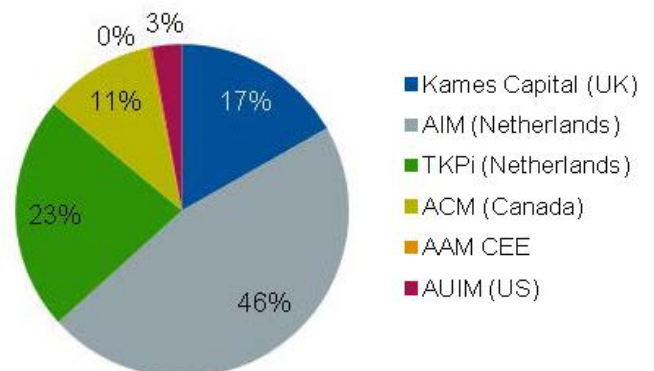


Below we show the geographic breakdown of the votes cast. We also show for which types of issues we voted against management. “Votes against management” is often seen as a proxy for effective monitoring behavior of institutional investors.

Percentage of votes against management per agenda item



Break-down of voting per AAM unit



A number of AAM units also publish separate Responsible Investment and voting reports. For details, please see Appendix 4.

Transamerica Asset Management Group (TAMG), an AEGON subsidiary that is not part of AAM, also has engagement and voting activities; we intend to cover these activities in the 2012 RI Report.

ESG Integration

AEGON aims to contribute broadly to wellbeing and sustainable development through active ownership, and also believes that integrating ESG criteria into investment decision-making can have a positive impact on long-term risk-adjusted financial returns.

This is in line with AAM's commitment to the PRI, as well as the observation that it is increasingly argued that applying ESG factors is required by fiduciary duty, given that ESG factors are an important component of assessing industries and valuing companies.

AEGON defines ESG Integration as "taking into account ESG factors in investment management analysis and decision-making".

ESG data

In 2011 AAM initiated a process to select an ESG data and research provider to gather the most up-to-date ESG data, ratings, and screening tools to help it further integrate ESG factors into its investment analysis and decision-making.

As of the date of publication of this report, AAM can report that it selected *MSCI ESG Research* to provide ESG research, ratings, and screening tools to help it further integrate ESG factors into its investment analysis and decision-making. These will be used to identify key ESG issues and will also help AAM assess whether companies have risk management strategies commensurate with the ESG risks they face. AAM is confident that *MSCI ESG Research* will help to deepen our understanding of ESG issues.

ESG training

In order to make the most of the opportunities that ESG Integration offers, AAM organized workshops and training in 2011, to educate portfolio managers, analysts and other internal stakeholders about ESG and other RI matters. We will continue to do this in 2012.

SRI Products

SRI products offer investment funds to (typically) retail clients, with investment strategies that often revolve around exclusions (or negative screening) for a specific ESG issue, or a combination of ESG issues; e.g. companies with poor environmental or human rights records, or companies that are active in the arms or tobacco industries, are excluded from investment consideration.

Increasingly, SRI is now defined as Sustainable and Responsible Investment, in line with the tendency to also build investment strategies around 'positive screening' – investing in companies that, in individual sectors, offer the best sustainability records.

AEGON currently offers a number of SRI products, in the United Kingdom, the Netherlands and Hungary:

Country	Fund	Description
United Kingdom	■ Ethical Cautious Managed	Covers UK equities and corporate bonds. Investment is restricted in accordance with the fund's "dark-green" investment criteria.
	■ Ethical Corporate Bonds	Covers higher quality sterling corporate bonds. Applies "dark-green" investment criteria.
	■ Ethical Equity Fund	Covers UK equities, with a bias toward small and mid cap stocks. Applies "dark-green" investment criteria.
Netherlands	■ AEGON Duurzaam Aandelenfonds (AEGON Sustainable Shares Fund)	Covers global equities, applying a range of sustainability criteria. Uses Dow Jones Sustainability Index as benchmark, excluding the following sectors: alcohol, tobacco, gambling, armaments and firearms.
	■ AEGON Sustainable World Equity Fund	Covers global equities, applying a range of sustainability criteria. Uses Dow Jones Sustainability Index as benchmark, excluding the following sectors: alcohol, tobacco, gambling, armaments and firearms.
Hungary	■ AEGON Climate Change Fund	Covers equities in the developed world. Investments are focused on companies that are active in clean technologies, alternative energy, environmental management and agri-business.

As of December 2011, AAM had approximately EUR 1.2 billion in assets under management in SRI products. In addition to the products mentioned above, AAM's joint venture in China, AEGON Industrial Fund Management Company, also operates a successful SRI fund based on positive screening. At the end of 2011, this fund had just under EUR 550 million in assets under management. AEGON Industrial Fund Management has a further EUR 180 million in a Green Investment Fund.

Impact Investment

AEGON and AAM define Impact Investment as “investments, usually private debt or equity, made by institutional investors (e.g. banks, pension funds, development finance institutions, family offices), that are intended to create positive impact beyond meeting risk and return requirements, and tend to focus on social or environmental issues (agriculture, water, housing, education, health, energy, financial services)”.

AEGON and AAM observe that increasingly impact investors believe they do not need to sacrifice competitive financial returns for social or environmental impact, but rather can generate market returns or even outperform relevant benchmarks.

AEGON currently holds the following investments that could be classified as impact investments:

Wind power	In the United States, we have investments in four separate wind power projects - a commitment of some EUR 150 million. Together, the projects are capable of generating enough electricity for approximately 85,000 homes.
Affordable housing	AEGON has investments in affordable housing in the United States totaling nearly EUR 2.2 billion and a further several hundred million Euros in the Netherlands.
Sustainable timber	AEGON has more than EUR 108 million invested in timberland certified sustainable by either the Sustainable Forestry Initiative or the Forestry Stewardship Council.
Retirement homes	Kames Capital manages a fund that invests in retirement homes and elderly care facilities in Scotland and Northern England. The fund aims to raise a total of EUR 400 million.

APPENDICES

1. Definitions

Extensive engagement: multiple instances of focused interaction with a company on issues identified with a view to changing the company's behavior. The engagements were systematic and begun with a clear goal in mind.

Moderate engagement: more than one interaction with a company on issues identified. The engagement was somewhat systematic, but the specific desired outcome may not have been clear at the outset.

Basic engagement: direct contact with companies but engagement tended to be ad hoc and reactive. May not have pursued the issue beyond the initial contact with the company and includes signing on to letters authored by others.

The Ruggie Framework, also known as the UN "Protect, Respect and Remedy" framework, marks an important systemic approach to the treatment of human rights by states and corporations. It was created through years of multi-stakeholder consultations including global law firms, companies, investors, NGOs, and international institutions.

The framework is increasingly necessary to identify the distinct but complementary responsibilities of states and corporations in addressing human rights, so that each does not claim that the other is responsible while abuses continue unabated. In short, according to the framework and guidelines, global companies are expected to comply by:

- Adopting a human rights policy
- Verifying non-infringement through human rights due diligence
- Addressing any human rights abuses the company was involved in
- Measuring and reporting on human rights compliance

2. Relevant AEGON Policies and Links

Publicly available policies and other documentation	Link
Global Financial Crime Notification and Reporting Procedure	http://www.aegon.com/en/Home/Governance/Compliance/Tackling-Financial-Crime/
Global Compliance Charter	http://www.aegon.com/en/Home/Governance/Compliance/Tackling-Financial-Crime/
Business Principles	http://www.aegon.com/en/Home/Sustainability/Business-Principles/
AEGON Code of Conduct	http://www.aegon.com/Documents/aegon-com/Governance/Governance-documents/ Code-of-Conduct.pdf
AEGON Human Rights Policy	http://www.aegon.com/Documents/aegon-com/Sustainability/AEGON-Human-rightspolicy.pdf?epslanguage=en
AEGON N.V. Responsible Investment Policy	http://www.aegon.com/Documents/aegon-com/Sustainability/AEGON-N-VResponsible-Investment-Policy.pdf?epslanguage=en
AEGON Environmental Policy	http://www.aegon.com/Documents/aegon-com/Sustainability/AEGON-Environmentalpolicy.pdf?epslanguage=en
Statement on Diversity and Non-discrimination	http://www.aegon.com/Documents/aegon-com/Governance/Governance-documents/Diversity-Statement.pdf
Global Donations Policy	http://www.aegon.com/Documents/aegon-com/Sustainability/AEGON-donationspolicy.pdf?epslanguage=en
Dividend Policy	http://www.aegon.com/en/Home/Investors/Share-Information/Dividend-Policy/
Shareholder Communications Policy	http://www.aegon.com/Documents/aegon-com/Investors/Share-information/Shareholder-communications-policy.pdf?epslanguage=en
Global Voting Policy	http://www.aegon.com/Documents/aegon-com/Sustainability/Global-voting-policy.pdf?epslanguage=en
Employee Insider Trading Rules	http://www.aegon.com/Documents/aegon-com/Governance/Governance-documents/Employee-Insider-Trading-Rules.pdf

3. Exclusion List

COMPANIES

Aeroteh S.A. (Romania)
Alliant Techsystems Inc. (United States)
Ashot Ashkelon (Israel)
China Aerospace International Holdings (Peoples Republic of China)
China Spacesat (Peoples Republic of China)
Gencorp incorporated (United States)
General Dynamics Corporation (United States)
Hanwha Corporation (South Korea)
Hanwha Chemical Corp (South Korea)
Kaman Corporation (United States)
Larsen & Toubro Ltd. (India)
Lockheed Martin Corporation (United States)
Norinco International Cooperation Ltd. (Peoples Republic of China)
Poongsan Corporation (South Korea)
Poongsang Holdings Corporation (South Korea)
Singapore Technologies Engineering (Singapore)
Tata Power Ltd. (India)
Textron (United States)

COUNTRIES (GOVERNMENT BONDS AND OTHER GOVERNMENT DEBT)

Belarus	North Korea
Burma	Sudan
Congo	Somalia
Eritrea	Syria
Guinea (-Conakry)	Zimbabwe
Iran	

4. AAM Units' Voting Reports

AAM unit	Report link
TKPi	http://www.tkpinvestments.com/en/stemrapportage
Kames Capital (Responsible Investment documents incl. engagement & voting)	http://www.kamescapital.com/corporateresponsibility.aspx
AEGON Investment Management AIM (in Dutch)	http://www.aegon.nl/multimedia/overaegon/Stemverslag_2011.pdf

5. Cooperation and Collaborative Bodies

Organization	Commitment
United Nations Principles for Responsible Investment	AAM became a signatory to the UNPRI in February 2011. Kames Capital, AAM's asset management business in the United Kingdom has been a signatory since 2008. Membership commits AAM to the UNPRI's six principles for responsible investment, and reporting annually on progress towards implementing them. www.unpri.org
United Nations Declaration of Human Rights	AEGON's Human Rights policy states that the company's "business activities are guided by the UN Declaration of Human Rights," as well as core standards of the International Labor Organization and the principles on human rights and labor standards set out in the UN Global Compact. www.un.org/en/documents/udhr/
International Labor Organization Please see above.	www.ilo.org
United Nations Global Compact Please see above.	www.unglobalcompact.org
Carbon Disclosure Project	AEGON has been a member of the Carbon Disclosure Project since 2009. The Carbon Disclosure Project encourages companies to be more open about their greenhouse gas emissions. Investors signing up to the project manage assets worth approximately USD 71 trillion. www.cdproject.net
Extractive Industries Transparency Initiative	AAM's UK subsidiary Kames Capital is a member of the Extractive Industry Transparency Initiative, which aims to improve governance in the global oil, gas and minerals sector. www.eiti.org
Global Reporting Initiative	AEGON is an Organizational Stakeholder of the Global Reporting Initiative, which sets guidelines and standards for sustainability and non-financial reporting. www.globalreporting.org
International Integrated Reporting Council	AEGON is currently participating in a pilot project organized by the IIRC to develop guidelines for integrated reporting. www.theiirc.org
Global Coalition on Aging	In 2010, AEGON became a founding member of the Global Coalition on Aging, which seeks to raise awareness of aging issues among policymakers and the general public. www.globalcoalitiononaging.com
Association of British Insurers	AEGON UK collaborates closely with Association of British Insurers. The ABI is the voice of insurance, representing the general insurance, investment and long-term savings industry. It was formed in 1985 to represent the whole of the industry and today has over 300 members, accounting for some 90% of premiums in the UK. www.abi.org.uk
Dutch Association of Investors for Sustainable Development	AAM is a member of the Dutch Association of Investors for Sustainable Development (VBDO) which represents the interests of institutional and private investors in the Netherlands who wish to contribute to sustainable development. www.vbdo.nl
Eumedion	AAM is an active member of Eumedion which is a forum for corporate governance and sustainability in the Netherlands and represents institutional investors' interests in these fields. www.eumedion.nl
United Nations Environment Program Finance Initiative Principles for Sustainable Insurance	AEGON is a founding signatory of the UNEP-FI Principles for Sustainable Insurance (PSI) that were launched in June 2011. Signatories of the PSI strive for the integration of ESG considerations in their primary business processes and their interactions with stakeholders.

DISCLAIMER

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to AEGON. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. AEGON undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
 - The frequency and severity of defaults by issuers in AEGON's fixed income investment portfolios; and
 - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities AEGON holds;
 - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that AEGON holds;
- Changes in the performance of AEGON's investment portfolio and decline in ratings of the company's counterparties;
- Consequences of a potential (partial) break-up of the euro;
- The frequency and severity of insured loss events;
- Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of AEGON's insurance products;
- Reinsurers to whom AEGON has ceded significant underwriting risks may fail to meet their obligations;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels; changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting AEGON's operations, ability to hire and retain key personnel, the products the company sells, and the attractiveness of certain products to its consumers;
- Changes in the policies of central banks and/or governments;
- Regulatory changes relating to the insurance industry in the jurisdictions in which AEGON operates;
- Changes in customer behavior and public opinion in general related to, among other things, the type of products also AEGON sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Lowering of one or more of AEGON's debt ratings issued by recognized rating organizations and the adverse impact such action may have on the company's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of AEGON's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital AEGON is required to maintain;
- Litigation or regulatory action that could require AEGON to pay significant damages or change the way the company does business;
- As AEGON's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt the company's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;
- Customer responsiveness to both new products and distribution channels;
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for AEGON's products;
- Changes in accounting regulations and policies may affect AEGON's reported results and shareholder's equity;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including AEGON's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt AEGON's business; and
- AEGON's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

Further details of potential risks and uncertainties affecting the company are described in the company's filings with NYSE Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CONTACT

AEGON and AAM welcome opinions on both the content of this report and the company's overall performance in the area of responsible investment.

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AAM Responsible Investment team

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