Aegon Asset Management

AEGON Asset Management

Responsible Investment

Report 2012

The Hague, May 2013

Transform Tomorrow

Table of contents

Highlights 2012

In 2012:

- Aegon Asset Management (AAM) engaged with 204 companies on subjects such as corporate governance, the environment, transparency, remuneration, health & safety and human rights.
- AAM selected MSCI ESG Research to provide environmental, social, and governance (ESG) research, ratings, and screening tools to help it integrate ESG factors into its investment analysis and decision making. 50 analysts and portfolio managers across the global company now have access to the MSCI data. AAM invested in ESG training for its analysts and portfolio managers.
- Aegon had impact investments in renewable energy (€170 million), social housing (€3.1 billion) and sustainable timber (€115 million), all together amounting to almost €3.6 billion in AuM.
- Aegon conducted a review on Impact Investment, assessing its current investments and looking into the opportunities to expand the portfolio. Aegon also joined the Global Impact Investment Network (GIIN).
- Aegon had SRI products which, at the end of 2012, amounted to €1.4 billion in AuM.
- AAM decided to join the Global Real Estate Sustainability Benchmark (GRESB).

Abbreviations

In this text, the following abbreviations are used:

AAM	Aegon Asset Management
AAM RI	AAM's Responsible Investment team
ESG	Environmental, Social and Governance
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)
II	Impact Investment
PRI	Principles for Responsible Investment
RI	Responsible Investment
RI Committee	Aegon Responsible Investment Committee
SRI products	Sustainable and Responsible Investment products

Foreword

Aegon Asset Management is the asset management company of the Aegon group and we manage approximately €250 billion in investments for both policyholders and other clients. We are not only the primary asset manager for the other Aegon units, we also directly service many institutional and retail clients in the various markets that we operate in.

In the Aegon Annual Review that was published earlier this year, our CEO Alex Wynaendts said: "We have millions of customers across the globe. That in itself puts us in a position of strength and should give us strong encouragement in having earned the trust of so many." Also, because of our daily contacts with many of these customers, we at Aegon Asset Management are very mindful of the responsibilities that come with this trust that is given us.

Clearly, our customers value the ability of AAM to generate investment returns in line with the risk parameters they provide, the integrity of our valuations, the accuracy of our reporting and the ability of our account managers to understand their needs. These are the essential components of the services that an asset management company provides.

But we are also reminded on a daily basis that our clients – many of them pension funds and insurance companies, but also individual investors – are aware of their responsibilities as asset owners and the impact they can have on the world. They also realize that engagement with the companies they invest in and taking into account ESG criteria in decision making does not detract from investment performance, rather, it may enhance it. Many of these clients look to AAM to advise them on RI topics, and to provide support in implementing their policies.

That is why we have developed a strong Responsible Investment framework to allow us to meet our clients' needs, working together with our colleagues in other Aegon companies, and involving external stakeholders where possible. That is also why we take the time to outline the work that is being done to implement our approach to Responsible Investment across AAM in this Responsible Investment report.

You will find in reading this report that we take a "common sense" approach to Responsible Investment: the list of responsible investment-related themes that are discussed today appears to be endless, but we try to separate the wheat from the chaff in selecting only those that are relevant to the clients we service and the companies and governments we invest in. In addition, rather than establishing a large Responsible Investment function, we have decided to maintain a small team and like to see them work with the other functions within our company – portfolio management, credit analysis, legal, compliance, operations, communications – to integrate ESG elements where it makes sense and adds value.

We believe that only through such an approach will Responsible Investment truly become "mainstream" to our asset management business.

This report discusses the Responsible Investment activities and developments at AAM during 2012. We at Aegon Asset Management would very much welcome any feedback and look forward to continuing the cooperation with clients and other stakeholders in further implementation of our RI Framework.

Sarah Russell
Chief Executive Officer
Aegon Asset Management

About Aegon and AAM

About Aegon

Aegon N.V. with its subsidiary companies (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 EUR 458 billion in revenue generating investments, employing over 24,000 people and serving millions of 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, and 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)

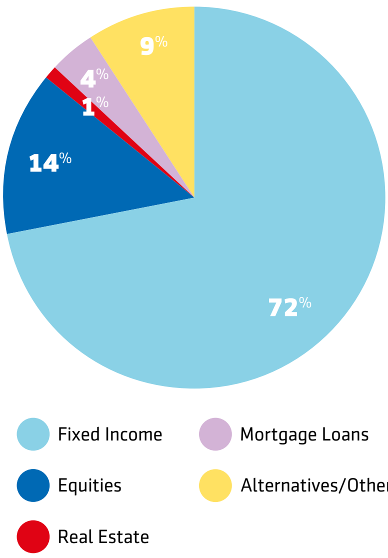
Leveraging a strong heritage of fixed income expertise across a wide range of products, AAM offers a rigorous, structured and research-driven approach to investments on behalf of its clients. With fund managers based out of Europe, North America and Asia, AAM is able to offer global and local investment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

AAM is made up of the following companies:

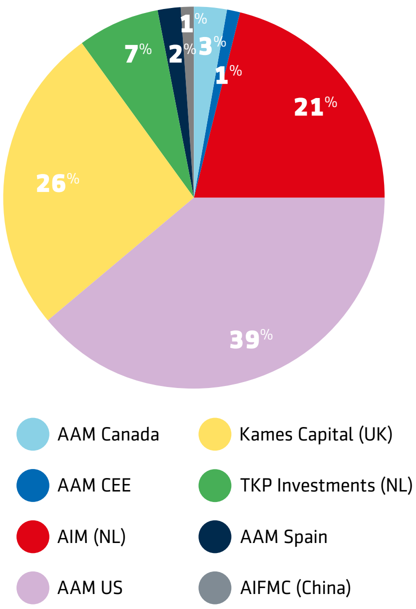
Netherlands:	Aegon Investment Management (AIM), TKP Investments (TKPI), Pelargos Capital and Saemor Capital
United States:	Aegon USA Investment Management (AUIM) and Aegon USA Realty Advisors (AURA)
United Kingdom:	Kames Capital
Canada:	Aegon Capital Management (ACM)
Spain:	Aegon Asset Management Spain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

As of December 2012, AAM had EUR 247 billion of assets under management.

Assets under Management per asset class



Assets under Management per location



Responsible Investment at AAM

AAM defines RI as follows:

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

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

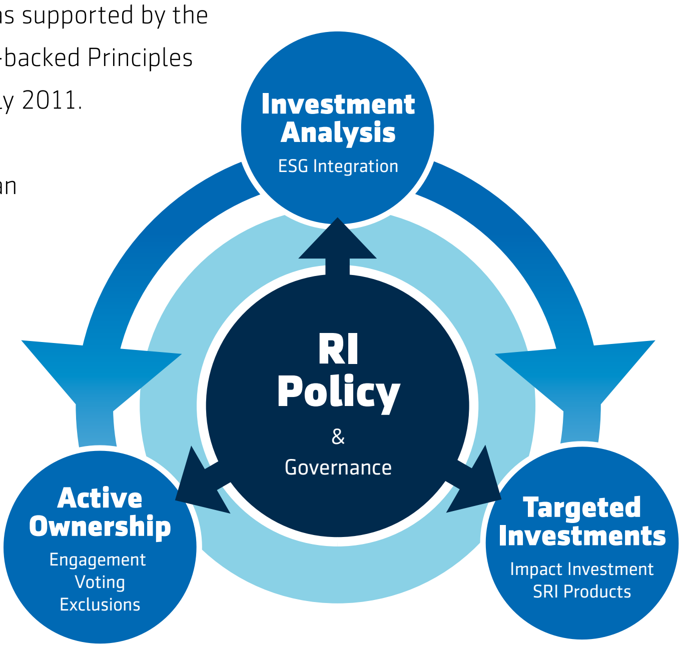
Further, as a significant investor in a large number of industries and companies, AAM also has responsibilities as a capital provider, which it takes seriously. AAM aims to contribute broadly to well-being and sustainable development through active ownership, and also believes that integrating ESG criteria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

Therefore, when AAM was established in 2009 as a separate Aegon division through the merger of various asset management companies across the Group, it was made a priority to develop a more coordinated approach to RI.

In 2010 a broad RI framework was approved by the AAM Management Board, and in 2011 and 2012 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 decision to become a signatory to the UN-backed Principles for Responsible Investment ("PRI"), in early 2011.

As we believe that RI and ESG should be an integral component of how we conduct business, it is our philosophy to place responsibility for the implementation of the various aspects of RI as much as possible with the people in our business functions: portfolio management, credit analysis, legal, compliance, communications, etc. They are supported by a small decentralized RI team.



We also work very closely with the Aegon Group Sustainability department. RI is a key pillar in the Aegon Sustainability strategy and as such we liaise regularly on a number of RI themes, including policy, engagement, voting, impact investment and ESG integration. As an example, we are looking together at the carbon footprint of the Aegon Group, extending to the assessment of the carbon footprint of the companies we invest in. We feel we could place more emphasis on this theme in our engagement and voting activities.

We are pleased to share details on our project around impact investment that took place in 2012, further on in this report; we anticipate that this will be a first step in taking a more proactive approach in this area.

For the longer term, we are also planning to review our offering of SRI products (for our current offerings see page 29), and would like to review the voting policies and practices across the Aegon Group.

Harald Walkate
Senior Vice President, Head of Responsible Investment
Aegon Asset Management

Responsible Investment in 2012

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 Aegon N.V. Management Board 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 and 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 Principles for Responsible Investment, UN Global Compact and OECD Principles of Corporate Governance, and is built around three separate concepts:

- Aegon excludes certain investments in its own proprietary (GA) portfolios
- 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
- 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 sector and issue policies, monitoring the engagement program and maintaining exclusion lists.

Exclusions

The Aegon exclusion lists that are applied by AAM are set by the RI Committee, and apply to Aegon's GA assets. Aegon Netherlands has decided to extend the application of the exclusion lists to all assets managed by AAM in the Netherlands.

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 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).
- Investments in bonds issued by states that systematically breach human rights.

Early 2012, the RI Committee adopted a guideline that offers guidance on how to identify the latter category: states that systematically breach human rights.

The guideline stipulates that government bonds and other government debt from certain countries are excluded when there is at least a human rights-related resolution from the UN Security Council or a restrictive measure from the European Union against the current government or rulers. If these do not provide sufficient clarity, we look for further insight into the current human rights situation of a number of countries, by researching further 'authoritative sources': Freedom House: Worst of the Worst Index; The Fund for Peace: The Failed States Index, and Human Rights Watch: regular country reports.

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 as Appendix 4.

Dutch legislation on cluster munitions

As of January 1, 2013, new Dutch rules prohibiting investments in companies that produce, sell or distribute cluster munitions entered into force. The prohibition applies to financial institutions such as banks, investment funds and firms (including portfolio managers), pension funds and insurers. The prohibition applies to their Dutch and foreign branches, as well as to the Dutch branches of foreign financial institutions active on the Dutch market. The affected entities may not make direct or indirect investments in cluster munitions companies, whether for their own account or for a client's account.

The policies and exclusion lists that Aegon applied before January 2013 already complied with the new laws. However, Aegon and AAM have taken steps to ensure the new laws become part of the legal and compliance framework that applies across the Group.

Sector policies

During the course of 2012, Aegon Netherlands worked on a sector policy for the oil, gas and mining sectors, which was published in early 2013. These sectors can have a large adverse impact on society and the environment when ESG risks are not managed properly. We are working on developing further sector policies and anticipate we can publish them during the course of 2013.

Good intentions

As a concept, responsible investment is pretty straight-forward. Banks, insurers and other investors should use their influence for good. They should promote sustainable economic development. Most of all, they shouldn't invest in companies that do bad things – like harm the environment, or employ children in their factories.

That's the intention. But how do you put this intention into practice?

We introduced our global Responsible Investment Policy just over two years ago. As part of this policy, we decided to exclude certain investments. We excluded companies involved in the manufacture and trade of controversial weapons, like cluster bombs and anti-personnel mines. And we excluded investment in bonds and securities issued by governments involved in the systematic abuse of human rights.

That was the easy part. The question was – what should we do with all the other companies that "did bad things"? Should we exclude them too?

For us, exclusion wasn't the right answer. From a practical point of view, we have commitments to achieve investment objectives for our customers. The more companies we excluded the harder it would be to honour those commitments. More importantly, we thought it made much more sense to engage – to try to bring about change through persuasion. If we sold our shares or bonds, our influence would be lost.

So, in our policy, we included a series of minimum standards, covering issues such as corruption, human rights, and the use of child and forced labour. We expect the companies we invest in to respect these standards. And, where we see a company falling short, we try to use our influence to improve their policies and practices.

Engagement is a good answer, but it's not a perfect one.

It raises one question, in particular. What do you do, as an investor, if engagement doesn't work? At what point do you say, "enough is enough. We've tried our best, but we've not succeeded"?

After all, in many companies, we may own only a handful of bonds or shares – and that gives us very little influence. There may also be other political or economic factors preventing change.

Of course, we can exclude companies from investment where we feel no progress is being made. But for us exclusion is a last resort. Engagement comes first – and that means, where there are shortcomings, patiently making the case for change and, importantly, giving the companies the time they need to make improvements.

We also do what we can to make our influence count – either by focusing our engagement efforts on specific issues that we find important, or else by concentrating on those companies where we have a significant position. In part, it's a matter of using our resources efficiently: last year, Aegon engaged with more than 200 companies worldwide.

Another option is working more closely with other investors, who have similar interests. In fact, engagement is probably most effective when the argument for change is coming from more than one stakeholder group. Which is where the media and non-governmental organizations have a key role to play: by giving social, ethical and environmental issues proper publicity and, in doing so, supporting the process of engagement.

Some of the landmark cases of recent years – from environmental disaster in the Niger Delta to the poor treatment of workers in China – have come to light largely because of NGO campaigns. There's a good argument for closer cooperation between investors and NGOs.

We appreciate that engagement is not an exact science. It can seem slow – much slower than many would like. And certainly there are compromises to be made. But one of the main benefits is the process of engagement itself, which helps identify risks and opportunities, and thereby protects the value of both our investments and our customers'. For so long, issues such as child labour, human rights and corruption were matters for government and NGOs. Engagement at least has helped bring them into the boardroom.

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 it invests 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)

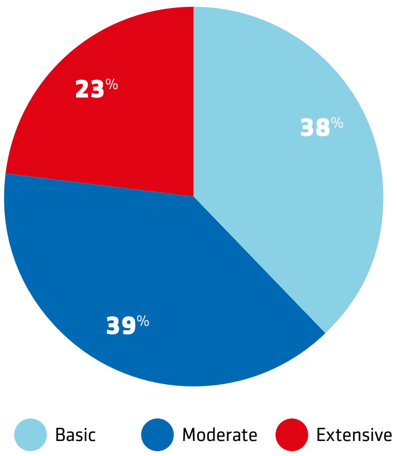
Engagement activities are primarily initiated and managed by the AAM units Kames Capital (UK) and TKPI (the Netherlands), as well as by the global AAM RI staff. These engagement activities are coordinated through monthly conference calls.

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.

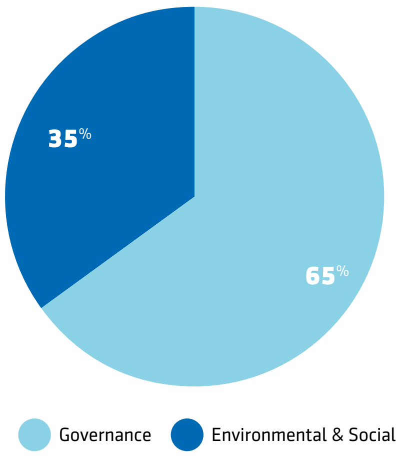
Engagement in 2012

- In 2012 AAM engaged with **204** companies on a range of ESG issues.
- **65 %** of AAM engagement activities were related to corporate governance matters; **35%** 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.[1]

Engagement type



Engagement issue



1. Defenitions in Appendix 1

Engagement themes and cases

In 2012 AAM held discussions with companies on a number of themes, as illustrated in the cases below.

Human Rights

In 2012 human rights continued to be the main social engagement theme: 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 2012 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

AAM continued its dialogue on human rights with a large mining company, that had been linked to long-standing human rights concerns and community opposition relating to one of its mines in South America. AAM asked the company to strengthen its human rights due diligence, and to bring this in line with the UN Guiding Principles on Business and Human Rights, and to improve its transparency and disclosure of its human rights management system and mine closure plans.

Over the course of 2012, the company made significant progress in the area of its human rights policies and preparedness. The company published an extensive human rights due diligence process, including country-level risk assessments that are structurally reported back to board level, as well as a range of activities to build human rights capacity at the local and regional levels. The company committed to improving its transparency surrounding this process, and to sharing an updated version of its mine closure plan for the mine affected by human rights controversies with AAM and its other shareholders. It also invited AAM to visit its mining sites, and pointed to the availability of its board-level sustainability committee for further dialogue on human rights.

CASE 2

AAM and TKPI continued the dialogue with a global provider of networking and communications technology, products, and services, which has faced criticism for its considerable exposure to human rights-related risks on account of communication infrastructure projects in Myanmar and Sudan.

In line with its commitment in the 2011 engagement dialogue, the company published an updated global human rights policy in 2012, which applies to suppliers and contractors and has been approved at senior management level. Responsibility for the company's new human rights approach was allocated to its Chief Compliance Officer. AAM and TKPI had requested that the company consider joining the Global Network Initiative (GNI). In March 2013, the company embarked upon a two-year collaboration with the GNI in the context of GNI's Telecommunications Industry Dialogue, an initiative to discuss freedom of expression and privacy rights in the telecommunications sector in the context of the UN Guiding Principles on Business and Human Rights.

During the engagement process, the company indicated that its involvement in Myanmar had ended, and that it had decided not to re-enter the country. Its exposure to human rights risks is believed to have reduced significantly.

CASE 3

AAM continued its engagement dialogue with a global steel manufacturing company, which has been exposed to allegations of human rights violations and considerable community opposition surrounding a project in India, translating to large protests both at its project site and at the AGM. Complaints were filed before National Contact Points for the OECD guidelines in several countries. AAM asked the company to develop a human rights policy based on best practices, adhering to the UN Guiding Principles on Business and Human Rights. AAM also urged the company to consider adherence to the Voluntary Principles on Security and Human Rights.

During the dialogue, the company admitted that whereas environmental concerns had been clear, it had only recently understood the urgency of human rights to its operations. Whereas the company previously tackled these issues on a case-by-case basis, it now wished to take a more structural approach and has now embarked upon a process of developing a human rights policy. The company committed to sharing the timeline for completing this policy, as well as its expected scope, with AAM by mid-2013.

Environmental Protection

The important engagement issues in 2012 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 and operations subject to regulatory fines.

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 Capital is keen for appropriate companies that Kames Capital invests in to also become formal signatories.

CASE 4

For the second year, TKPI engaged in dialogue with a mining and smelting company accused of causing considerable damage to the natural environment in Russia, where its smelting operations polluted the air, water and soil, allegedly causing an increased rate of chronic diseases among local inhabitants in the area.

The first year, the company failed to respond to TKPI's request for dialogue. This year, the company has agreed to engage in dialogue and, at TKPI's request, disclosed significant steps to reduce its environmental footprint and improve its environmental management system (EMS). It set targets for reducing its $SO2$ emissions, and launched an extensive environmental project that foresees in the construction of sulphur removal facilities at key plants and the transfer from smelting to a less polluting briquetting technology. ISO 14001 compliance of the company's EMS has been certified by an international independent body, and is periodically verified by an external auditor. The company also conducts annual compliance audits, as well as recertification audits once every three years.

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 progam 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. Please see the voting chapter for additional cases.

CASE 5

TKPI initiated dialogue with a global diversified media company that is subject to multiple lawsuits and criminal investigations concerning allegations of phone hacking, bribery and corruption. Allegations against the company suggested that this was a systemic issue, condoned by senior executives and enabled by the company's culture.

TKPI asked the company to disclose steps it intended to undertake to reform its internal culture and governance structure, to ensure greater oversight. The company responded positively to TKPI's request for dialogue, and stated that it was taking steps to ensure greater oversight and that it had begun implementing an enhanced global compliance structure, with a major focus on anti-bribery and anti-corruption policies, in 2012. It indicated that it has reorganized its business into regional compliance groups, each of which is supervised by a regional compliance officer to Executive Management and the group's Compliance Officer. On a number of other fronts, the company failed to make significant progress. It has not adopted a code of ethics, and continues to be exposed to corruption-related risks.

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.

Short Termism or Long Termism - Eumedion Study into Duration of Dutch Equity Ownership

AAM was an active contributor to an academic study on the duration of Dutch equity ownership that was published in 2012.

The research committee at Eumedion, chaired by Harald Walkate (AAM), commissioned a study by the University of Tilburg (Frans de Roon and Alfred Slager) into equity portfolio holdings of four pension funds and two asset managers between 2003 and 2011. Although this is a recurring theme in public debate, financial economists had largely ignored this topic in academic research to date.

Short-termism at institutional investors - a decrease in duration of equity ownership - is associated with increased volatility in stock markets, and pressure on investment managers and corporations to produce short-term results, forcing them to make suboptimal choices, which in turn negatively affects economic growth.

Some of the main findings of this study, however, were that more than 80% of the portfolios of these investors were held for at least five years, while more than 55% of the investments were allocated for more than 10 years. The study also showed that less than 4% of the portfolios were kept for a year or less, and that turnover tended to be concentrated within a smaller part of portfolios. The researchers attributed this turnover to a combination of active investment styles and benchmark readjustments.

The researchers also found that equity holding periods had not decreased since the start of the financial crisis in the second half of 2007 and that on average the holding period of Dutch shares by the institutional investors was 3.5 years.

At the publication of the report, Eumedion said: "the research results contradict the regularly voiced opinion that institutional investors are short-term investors."

The study can be found through the following link: http://www.eumedion.nl/nl/public/kennisbank/publicaties/2012_research_report_duration_and_turnover_dutch_equities.pdf.

Voting cases

Redrow

After the EGM earlier in the year (May 2012), to approve the firm placing an open offer, the Executive Chairman (Mr. Morgan) managed to increase his holding from 29.95% to 40.4%. This was due to a Rule 9 Waiver (waiving an obligation to make a takeover offer) granted at the same time. This was a routine waiver due to his sizeable shareholding and the company provided the following reassurance:

"Mr. Morgan has confirmed that he is not proposing to seek any change in the composition of the Board or to the general nature or any other aspect of the Company's business. Mr. Morgan has also confirmed that he will not vote on the Waiver Resolution."

On 31st August, Mr. Morgan led a takeover offer with Toscafund and Penta Capital at 152p (total joint ownership = 54%). Kames Capital felt that this undervalued the company and was not willing to agree to the takeover.

The board of Redrow consists of the Executive Chairman, Steve Morgan and two other executives plus two non-executive directors. The two non-executive directors are not deemed independent as they worked with Mr. Morgan until 2006 at DeVere Group. There was a 3rd non-executive director, Paul Hampden-Smith (also Financial Director at Travis Perkins) who was independent, but he resigned following the collapse of the takeover situation as he found his position untenable.

All through this process, Kames Capital was of the opinion that the remaining non-executive directors were too close to the management and not working in the company's best interests. This is backed up by the comments from Mr. Hampden-Smith. Alan Jackson is the Deputy Chairman/ Senior Independent Director and should be representing minority shareholders on the board. It was our view that this was not the case and Kames Capital therefore voted against his re-appointment at the AGM and requested that the board recruit additional independent directors.

Barclays

In April 2012, Kames Capital voted against the remuneration report at the Barclays AGM. Kames Capital had also voted against the report in 2011 because of concerns around the introduction of the Group Share Value Plan. In addition, there were a number of other issues with executive remuneration at Barclays, many of which were well documented in the UK press at the time. It was Kames' view that Remuneration Committee should have reduced the scale of the award annual bonus and Long Term Incentive Plan (LTIP) awards given the fall in profitability and shareholder returns. In addition, Kames Capital struggled to see how some of the softer performance conditions were met (for instance, Barclays attracted the most customer complaints to the FSA of any financial institution in 2H 2011). From this perspective, the introduction of additional performance conditions (which the Company proposed to placate investors) was largely irrelevant. In addition, Kames Capital was not supportive of the tax equalisation payments (£5.7 billion) awarded to the then CEO Mr. Diamond, given that he already received £474 thousand in benefits per annum.

Finally, Kames Capital noted that in 2011, Barclays booked a £2.7 billion gain from the write-down of their own debt due to a widening of spreads. To the best of our knowledge, neither Barclays nor the other banks strip this out for the purposes of calculating executive remuneration.

Taylor Wimpey

Back in 2010, Kames Capital voted against the remuneration report at Taylor Wimpey due to concerns over salary levels and LTIP awards. The company market cap had fallen from £2 billion to £200 thousand and staff numbers had been slashed but the salaries remained at the inflated level of the previous year where they had been increased to reflect entry into the FTSE100. Additionally, despite the share price plummeting the remuneration committee had awarded maximum LTIP awards. Kames Capital felt that this suggested Taylor Wimpey was taking advantage of the depressed share price.

Kames Capital subsequently sold out of the company and therefore did not vote at the time of the 2011 AGM.

Kames Capital reinvested in Taylor Wimpey in 2012. Unfortunately, in our view, when Kames Capital reviewed the remuneration again, it appeared that there had been a further increase in salaries despite them still being far ahead of the median of similar companies in the sector. The executives received a 2.5% increase in 2011 and would again in 2012 in line with the rest of the company. In addition, Kames Capital noted there is a shareholding requirement of 100% of salary for executive directors. However, the CEO, Mr. Redfern, though he had been with the company since 2001, held only shares equivalent to 60% salary.

Given these concerns, Kames Capital voted against the remuneration report at the 2012 AGM.

DE Master Blenders 1753

In November 2012 the Dutch corporate governance platform Eumedion, of which AAM is a participant, issued an alert regarding the 2012 shareholders' meeting of DE Master Blenders 1753 NV ("DE"), taking place on the 28th of that month.

In June 2012, DE had become an independent legal entity by separating from Sara Lee Corporation. Soon after, accounting irregularities were detected in its Brazilian operations. These accounting irregularities took place from 2009 through 2012, for most of which time Sara Lee was the controlling shareholder. As part of the spin-off, however, Sara Lee had discharged itself from all liabilities arising from events prior to the separation. After the separation, several Sara Lee board members joined the DE supervisory board: Jan Bennink (chairman), Norman Sorensen and Cees van Lede (who had also been a member of the Sara Lee audit committee).

Eumedion argued that the Brazilian accounting irregularities suggested there was a lack of oversight by the relevant boards over the internal accounting procedures. It also argued that, by granting the executive and non-executive directors discharge, the company would renounce any claim against the directors for these (or possibly other, as yet undiscovered) deficiencies in the internal controls of the company. Finally, Eumedion reasoned that the DE board could be held liable for damages resulting from the control deficiencies.

In view of the above, AAM NL held internal discussions on the matter and decided to vote against the discharge of both the executive and non-executive directors at the November shareholders' meeting. These issues were also discussed in the Eumedion investment committee, where AAM is represented, and another institutional investor acting as lead investor in the investment committee spoke on behalf of various shareholders, including AAM, at the shareholders's meeting.

More recently, related issues returned to the agenda for an extraordinary shareholders' meeting of DE that was to take place in April of this year, where the election of former chairman Jan Bennink as interim CEO, as well as his remuneration package, were on the agenda. In the meantime, a group of investors led by Joh. A. Benckiser had offered to acquire DE at a considerable premium. It was argued by Eumedion that shareholders who had voted against his discharge should not have confidence in Mr. Bennink as interim CEO, and that in view of the acquisition talks this was not the moment to decide on Mr. Bennink's remuneration package (which consisted only of shares, issued at the pre-offer price, and no base salary, as would have been in line with the Dutch corporate governance code).

Eumedion issued another alert and, again, internal discussions at AAM NL led to the decision to vote against these proposals. However, the shareholders' meeting was postponed based on the assumption that the acquisition will be completed.

AAM NL will continue to monitor these and similar corporate governance developments at listed Dutch companies.

Votes cast in 2012

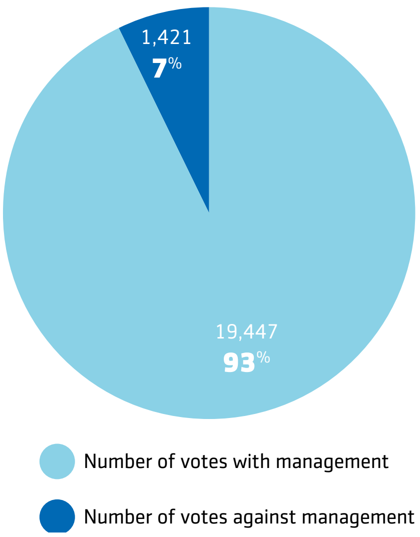
In 2012, AAM voted on 1,588 meetings covering at least 20,868 agenda points.

93% of votes were cast "with management", and 7% were "against management" (including abstentions). The number of meetings with at least one vote against, abstained or withheld was 37%.

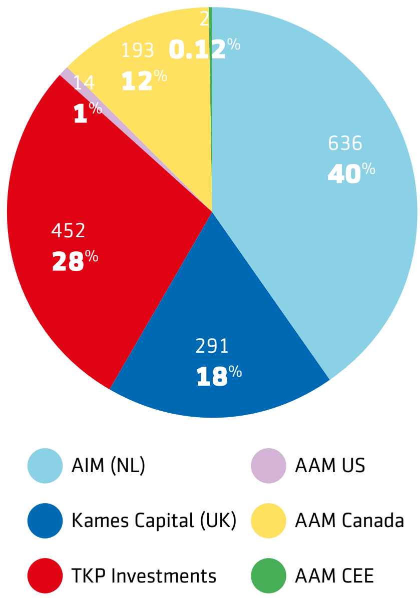
Below, we show the geographic breakdown of the votes cast and by which AAM unit. We also show for which types of issues we voted against management. 'Votes against management' is often seen as a proxy for effective monitoring behavior of institutional investors. Lastly, we show the breakdown of the number and items of supported shareholder proposals.

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

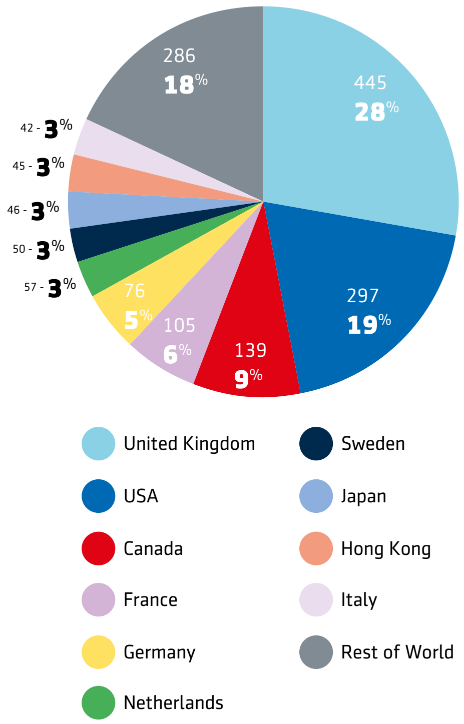
Votes cast in 2012



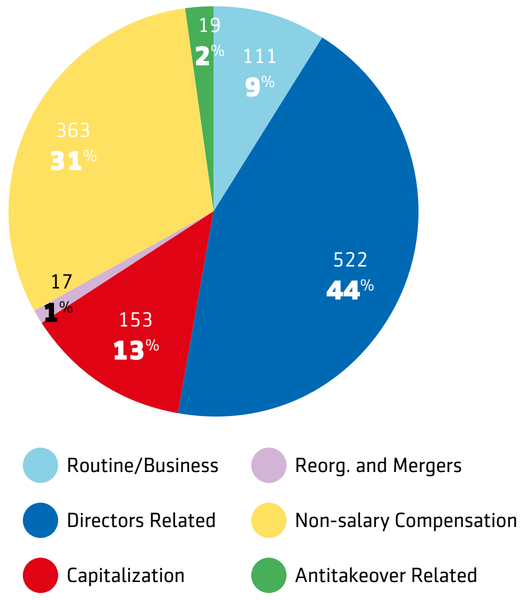
Meetings voted per unit



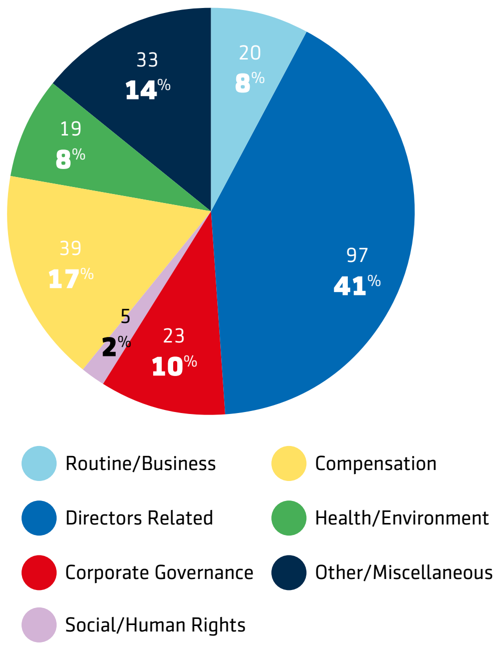
Meetings voted per Country



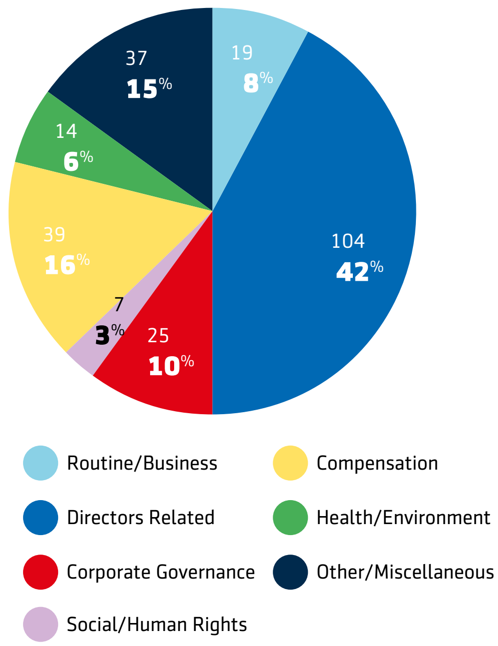
Break-down of votes against Management Proposals



Break-down of votes against Management on Shareholder Proposals



Break-down of votes on supported Shareholder Proposals



A number of AAM units also publish separate RI and voting reports. For details, please see Appendix 3.

ESG Integration

Aegon aims to contribute broadly to well-being 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 for the long term.

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.

In early 2012 AAM reported that it had selected MSCI ESG Research to provide ESG research, ratings, and screening tools. These are used to identify key ESG issues and to assess whether companies have risk management strategies commensurate with the ESG risks they face.

The contract with MSCI was signed in mid-2012 and 50 users across AAM (both portfolio managers and analysts) have now been given access to the MSCI data and tools.

ESG training

In order to make the most of the opportunities that ESG Integration offers, MSCI ESG Research provides webinars and other forms of training to educate portfolio managers, analysts and other internal stakeholders about ESG and other RI matters. This is a continuous process.

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) is a leading indicator for sustainability in the property and real estate world. GRESB evaluates about EUR 30 billion in real estate funds and EUR 5 billion in infrastructure. GRESB is an industry led organization committed to rigorous and independent evaluation of the sustainability performance of real estate portfolios. It is supported by about 40 members.

In the course of 2012, the three AAM units that are significant real estate investors (Kames Capital, AIM and TKPI, totalling approximately EUR 3 billion in real estate investments), took the initiative to propose joining GRESB; this initiative was supported by the Aegon Group Sustainability department, which is also interested in using GRESB data to measure the carbon footprint of the Aegon Group (and its investments).

The proposal was approved by the AAM Management Board in early 2013 and the membership application process has now been completed.

AAM sees this as an ESG Integration initiative because, through GRESB data, property and fund managers can better understand how environmental and sustainability factors impact their holdings.

GRESB collects information regarding the sustainability performance of property companies and funds. This includes information on performance indicators, such as energy, water, GHG emissions, and waste, but its survey also covers broader sustainability issues, such as climate change risk assessments, performance improvement programs, and engagement with employees, tenants and suppliers.

In our 2013 RI report, we will include details on how Aegon and AAM have been able to apply the GRESB data when making investment decisions, and when measuring the sustainability performance of our portfolios.

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. For example, 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 investment criteria.
	• Ethical Corporate Bonds	Covers higher quality sterling corporate bonds. Investment is restricted in accordance with the fund's investment criteria.
	• Ethical Equity Fund	Covers UK equities, with a bias toward small and mid cap stocks. Investment is restricted in accordance with the fund's investment criteria.
Netherlands	• Aegon Duurzaam Index Aandelenfonds *(Aegon Sustainable 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 2012, AAM had more than EUR 1.4 billion of assets under management in SRI products. Aegon believes that SRI products are of interest to certain clients in our markets, and we are currently looking at ways to enhance our current SRI product offering.

In addition to the products mentioned above, AAM's joint venture in China, Aegon Industrial Fund Management Company also operates a successful SRI fund.

Impact Investment

Introduction

In the second half of 2012, we conducted a review on Impact Investment ("II"). In this project, we set out to address three questions:

- What is Aegon's definition of II?
- What do we already have in terms of II?
- (How) Can we do more?

We invited a large number of Aegon and AAM colleagues to participate in discussions, covering various business unit disciplines, including risk management, capital management, asset management, sustainability and of course RI; and the business units Aegon NL, Aegon US, Aegon Bank, Aegon Asset Management and Corporate Center.

In addition, we conducted interviews with a large number of external organizations, including foundations, NGOs, consultants, collaborative initiatives and asset managers focusing on impact investment and funds and companies active in some of the typical II fields: microfinance, affordable housing, primary health care and renewable energy.

The discussions and meetings were conducted by the RI team. The findings were discussed and evaluated by a Sounding Board consisting of senior executives from the abovementioned disciplines.

The focus in this project was on the GA assets of our company and as a result the risk and return requirements that apply to these assets played an important role.

Findings and Outcomes

There was consensus in the Sounding Board that our primary responsibility is to ensure that our assets are managed in such a way that they cover the liabilities we take on as an insurance and pensions company. As such, investments should always be evaluated from a "risk & return" perspective first. Although it was recognized that certain Impact Investments may meet our requirements – and indeed we have a portfolio of investments that demonstrate this – there was also consensus that many II opportunities are characterized by features that make them unattractive to Aegon as investor: small, illiquid, equity-based, no rating, no credit history, etc. (for a more extensive listing, please see below under "Observations").

The future capital regulations for insurance companies in Europe (known as "Solvency 2") played a key role in these discussions: under Solvency 2 insurance companies investing in riskier assetclasses need to apply a higher capital charge driving up the cost of capital. Given that many impact investments are in new technologies (often early stage) and in emerging markets (microfinance in particular), and are often issued in equity or private equity instruments, they result in high capital charges under Solvency 2.

As a result of these discussions, Aegon decided to define II as follows: "Direct or indirect investments in businesses, organizations and projects, that meet our existing risk and return requirements, but also have the intent to create a measurable social or environmental impact".

In II terminology, this makes Aegon a “finance first” impact investor.

In addition, as a result of this project, we now have a much better understanding of our existing investments in the various II categories, including affordable housing in the US and the Netherlands, sustainable timber in the US, wind parks in the US and elderly care homes in the UK. Although we did not focus on impact measurement in this project we do intend to determine and report on the social or environmental impact of our existing and future investments.

With portfolio managers in the various AAM units we have also considered the merits of potential investments in categories like green/sustainability bonds, solar power generation, healthcare, microfinance, and microinsurance. Although it was concluded that there may be opportunities to invest in these fields, so far this has not led to actual investments.

We feel that the most important outcome of this project is that the topic “Impact Investment” is now better understood, and debated more broadly, throughout the Aegon company. As a result it is now a consideration in discussions on capital and risk management and on potential new areas for investments.

Finally, as a result of this project, Aegon decided to become a member of the Global Impact Investing Network (GIIN).

Observations

Based on the discussions and meetings in this II project we submitted a number of observations to the Sounding Board. Because we feel that these may also have broader application outside our company we list a selection here.

1. Worlds are far apart

There is a big gap between II organizations seeking funding and mainstream institutional investors like Aegon; this is evidenced in the presentations and documentation, and in the assumption that institutional investors will give up some return for impact. There is very little understanding of how insurers manage assets, including the impact of Solvency 2. It is often difficult to explain why we are not currently interested in investing in (private) equity or other higher-risk securities, regardless of the underlying type of asset.

2. Barriers to Impact Investment

We listed the following barriers to investing in II:

- Small size of potential investments
- Lack of liquidity
- Lack of track record
- Lack of rating/credit history
- Many investments are in (private) equity or mezzanine securities which we cannot consider under Solvency 2
- Our lack of investment expertise / understanding in sectors like renewable energy
- Renewable energy investments are often ‘structured’ (similar to other infrastructure investments) which leads to questions around resources to manage transactions as well as manage investments afterwards.

3. Solvency 2 and Impact Investment / Diversification Benefits

In order to determine the capital charge for a given investment the Solvency 2 Standard Formula looks at different types of securities and ratings – the riskier the investment the higher the capital charge. To determine how to deal with II it therefore depends on what kind of security we invest in and whether it is rated. Given that II focuses on riskier categories like emerging technologies, emerging markets, and lower income groups, and on riskier securities like equity and private equity investments, capital charges tend to be high; under Solvency 2 there is no 'bonus' or 'discount' for social or environmental impact.

For Aegon, which is today focused on de-risking and therefore on lower risk asset classes like sovereign and corporate debt, capital charges for equity investments tend to be prohibitively high.

Given that many (fixed income) II investments do not have a rating we need to use our Internal Model to determine the risk - return profile and capital charge. If we believe there is a diversification benefit this should become evident through the Internal Model assessment of the investment. However, given the lack of track record or historic data and/or rating on these investments it is difficult to argue that risks are low-moderate.

4. Impact Investment themes

A number of II themes were explored in this project, we may need to do so in the future:

- (access to) water
- (sustainable) agriculture
- commodities/loans to smaller farmers
- education (in emerging markets)
- SME (small & medium-sized enterprises) financing in developed and emerging markets

5. Mainstream Institutional Investors & Impact Investment

There is a belief in the market that real impact will only happen when mainstream institutional investors understand the business case and move significant amounts of AuM into these investments, which is only now starting to happen. There is also a related argument that mis-pricing in investment assets will correct (e.g. externalities related to oil & gas industries will be internalized, hidden subsidies and government guarantees will become visible, allowing for pricing on water and carbon, but also turning these companies into holders of so-called 'stranded assets'), which would result in a shift in assets away from traditional industries and towards industries focused on clean technology, renewable energy and socially sustainable business models. This would improve the business case for II.

6. Trade-offs in Impact Investment

Some argue that there is a trade-off in many II investment categories, i.e. there needs to be a government subsidy, tariff or tax credit to make the investment case (as in affordable housing, renewable energy), or we need to apply a certain discount to expected return (as in microfinance). It is expected that 'grid parity' for some renewable investment categories is not far off, which could mean that the investment case would become less dependent on government support in the next several years.

7. Impact Investment for our External Clients

There could be interest in II amongst our external clients (e.g. pension funds), where we would have fewer investment restrictions (e.g. Solvency 2). Some II asset managers have proven that there is a market for this; often pension fund boards are encouraged by stakeholders and beneficiaries to become active in these sustainable investments. In addition we are seeing that some investment consultants are educating themselves on II. Before the crisis we saw real interest in II with pension fund clients, especially for private equity Impact Investments, but it did not lead to actual investments and since the crisis interest has faded.

A great number of people have freed up time in their busy calendars to discuss Impact Investment with us. The list is too long to mention here but we would particularly like to thank Esther Gilmore and Daniela Saltzman of Generation Investment and Paola Gutierrez Watts, who worked on this project as an intern, and whose support has proven invaluable.

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 € 170 million. Together, the projects are capable of generating enough electricity for approximately 85,000 homes. We also have smaller investments in solar power.
Affordable housing	Aegon has investments in affordable housing in the United States and the Netherlands totaling nearly € 3.1 billion.
Sustainable timber	Aegon has more than €115 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's assets under management are nearly € 100 million.
Development banks	In the United States, we have investments in fixed income products and other bonds issued by regional development banks. These banks operate in emerging and lesser developed countries, promoting economic growth and helping reduce poverty. These assets amount to € 81 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
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
UN PRI AAM Executive Summary Report 2012
http://www.aegonassetmanagement.com/Documents/aegon-asset-management-com/documenten/PRI-Aegon-Asset-Management-RI-Report-2012-Executive-Summary.pdf

3. AAM Units' RI & Voting Reports

AAM unit	Report link
TKP Investments	
	http://www.tkpinvestments.com/en/stemrapportage
Kames Capital	
	http://www.kamescapital.com/corporateresponsibility.aspx
Aegon Investment Management (in Dutch)	
	http://www.aegon.nl/overaegon/organisatie/stemverslagen/
AAM UN PRI Executive Summary Report 2012	
	http://www.aegonassetmanagement.com/Documents/aegon-asset-management-com/documenten/PRI-Aegon-Asset-Management-RI-Report-2012-Executive-Summary.pdf

4. Exclusion List

Companies March 2013

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)
Larsen & Toubro Ltd.	(India)
Norinco International Cooperation Ltd.	(Peoples Republic of China)
Poongsan Corporation	(South Korea)
Poongsang Holdings corporation	(South Korea)
Singapore Technologies Engineering	(Singapore)
Textron	(United States)

Countries (Government Bonds and other Government Debt)

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

5. Cooperation and Collaborative bodies

Organization	Commitment
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
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
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
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 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
Global Impact Investment Network	Aegon is a founding Network Member of the Global Impact Investing Network (GIIN). GIIN is a nonprofit organization dedicated to increasing the effectiveness of impact investing. www.thegiin.org
Global Real Estate Sustainability Benchmark	GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. Aegon and AAM joined GRESB in 2013. www.gresb.com
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
International Labor Organization	Please see United Nations Universal Declaration of Human Rights. www.ilo.org
United Nations Universal Declaration of Human Rights	Aegon's Human Rights policy states that the company's "business activities are guided by the UN Universal 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/
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. http://www.unepfi.org/psi/

Organization	Commitment
United Nations Global Compact	Please see United Nations Universal Declaration of Human Rights. www.unglobalcompact.org
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

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.
- Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates.
- Acts of God, acts of terrorism, acts of war and pandemics.
- Changes in the policies of central banks and/or governments.
- 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 2 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.

If you wish to contact us directly, our address is:

Aegon Asset Management
P.O. Box 202
2501 CE The Hague
The Netherlands

Aegon N.V.
Group Sustainability
Aegonplein 50
2591 TV The Hague
The Netherlands
E-mail: csr@aegon.com
Telephone: +31 70 344 8278

AAM Responsible Investment team

The RI activities at Aegon and AAM are managed by a Responsible Investment team that includes:

AAM		
Harald Walkate	+31 70 344 8146	hwalkate@aegon.nl
Roger Wildeboer Schut	+31 70 344 7824	rwildeboerschut@aegon.nl
Kames Capital (UK)		
Ryan Smith	+44 131 549 6275	ryan.smith@kamescapital.com
TKPI (NL)		
Marianne Oomkes	+31 50 317 5395	oomkes.ms@tkpinvestments.com
AUIM (US)		
Tracy Cassidy	+1 319 355 6149	tcassidy@aegonusa.com
Aegon Capital Management (Canada)		
Stephen Carlin	+1 416 883 5794	stephen.carlin@aegoncapital.ca

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

www.aegon.com

maart 2013

Aegon Asset Management Holding B.V.
P.O.Box 202
2501 CE Den Haag