



CORPORATE  
RESPONSIBILITY  
REPORT 2004



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## CHAIRMAN'S LETTER

Dear reader,

On behalf of the Executive Board, it is my pleasure to present AEGON's Corporate Responsibility Report 2004, which reaffirms our commitment to high standards of sound and responsible business practices.

Following the publication of AEGON's first-ever Corporate Responsibility Report last year, we invited our stakeholders to review and comment on both the underlying principles and specific directives of the report. We are grateful for the valuable insights and recommendations that have informed our ongoing efforts to enhance AEGON's Corporate Responsibility policies and practices.

For AEGON, Corporate Responsibility is more than a set of principles. It provides a set of benchmarks by which we can constantly measure our commitment to operating our businesses with respect, quality, transparency and trust. The Code of Conduct continues to serve as the foundation for AEGON's Corporate Responsibility. Furthermore, it serves as a practical guide for management, employees and partners as we carry out our day-to-day business and pursue the right growth opportunities for AEGON around the world.

We appreciate your interest in AEGON's commitment to Corporate Responsibility. As you review this most recent report, we again welcome your comments and suggestions as we continue to build on the trust that has distinguished AEGON as one of the world's leading providers of life insurance, pensions and savings and investment products.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Donald J. Shepard", is shown on a light-colored background.

**Donald J. Shepard**  
Chairman of the Executive Board



## 1 INTRODUCTION

**In 2003, AEGON issued its first-ever Corporate Responsibility (CR) Report after an extensive process involving feedback of key stakeholders and a review of its established business practices. With the publication of this latest CR Report, representing further developments in 2004, we provide an opportunity to review our progress and reassert AEGON's strategy for achieving high standards of corporate responsibility policies and practices. As in 2003, this latest report reflects AEGON's focus on three core areas: *economic, social and environmental*.**

It is clear that there are increasingly diverse views, expectations and definitions of Corporate Responsibility. Since the publication of AEGON's first CR Report, we have actively consulted our stakeholders to gain valuable feedback about AEGON's commitment to sound Corporate Responsibility. AEGON welcomes this opportunity to reaffirm its approach to CR as it relates to its fundamental business strategy, and in the day-to-day activities that distinguish AEGON as one of the world's leading life and pension insurance groups.

The foundation of AEGON's CR approach is the Code of Conduct ([www.aegon.com](http://www.aegon.com)). All employees are expected to conduct their business in full compliance with the specifications of the Code. Periodically, AEGON's Internal Audit division conducts an extensive review of the content and response to the Code. AEGON will continue to regularly review the Code of Conduct and other issues relating to its Corporate Responsibility practices. It will also be a constant priority to identify areas for clarification and greater understanding in order to enhance compliance internationally among all stakeholders.

During 2004, there have been a number of key developments within AEGON's Corporate Responsibility process. AEGON's well-defined corporate governance structure, its clear positions on economic, social and environmental policies, and its adherence to responsible business practices, enable the Executive Board to issue AEGON's 2004 Corporate Responsibility Report with strong confidence that AEGON's reputation as a responsible and sustainable company is sound.

A more complete summary of AEGON's business activities throughout Europe, the United States and Asia, as well as additional detail on Corporate Governance, is provided in the AEGON Annual Report 2004 ([www.aegon.com](http://www.aegon.com)).

**NOTE:** Due to the sale of the non-life operations in Spain and the corresponding changes in staff during 2004, the Corporate Responsibility Report 2004 does not include complete data from AEGON's operations in Spain. Where Spanish data is included it will be explicitly indicated.

## 2 PROFILE



\* Structural chart as per September 2005

**AEGON is one of the world's leading listed life insurance companies ranked by market capitalization and assets. AEGON's head office is in The Hague, the Netherlands. At the end of 2004, AEGON companies employed about 27,000 people worldwide.**

### 2.1 AEGON profile

AEGON's businesses focus on life insurance and pensions, savings and investment products. The group is also active in accident and supplemental health insurance and general insurance, and has limited banking activities.

AEGON's three major markets are the United States, the Netherlands and the United Kingdom. To date, the group is present in a number of other countries including Canada, Hungary, Slovakia, Spain and Taiwan. AEGON is also active in China, Poland and the Czech Republic.

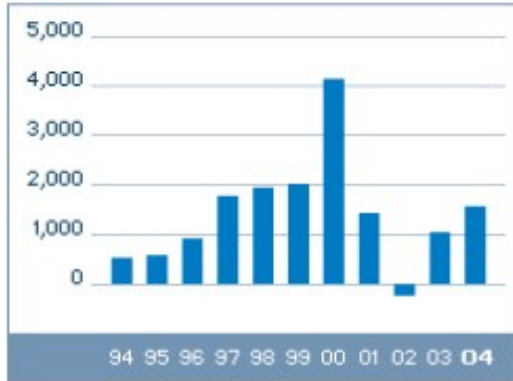
AEGON encourages product innovation and fosters an entrepreneurial spirit within its businesses. New products and services are developed by local business units, with a continuous focus on cost control, using a multi-brand, multi-channel distribution approach to meet customers' needs.

Respect, quality, transparency and trust constitute AEGON's core values as the company continually strives to not only meet, but exceed the expectations of customers, shareholders, employees, business partners and other stakeholders. Pursuing its mission of *creating better futures* for all stakeholders, AEGON will continue to explore new opportunities for profitable growth.

The next page summarizes some key AEGON figures regarding gross premiums, assets, net income and number of employees. More extensive information can be found in the Historical Data section of AEGON's website ([www.aegon.com](http://www.aegon.com)).



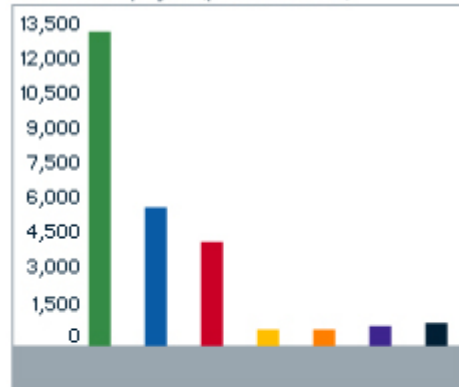
**NET INCOME** in EUR million<sup>1</sup>



Source: AEGON Annual Report 2004

**EMPLOYEES GEOGRAPHICALLY**

Number of employees (per 12/31/2004)



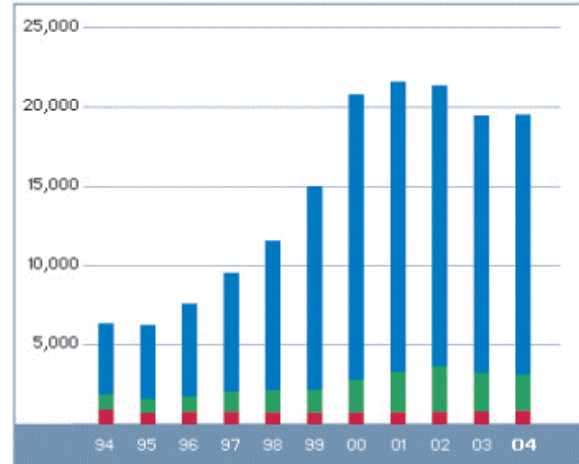
Source: AEGON Annual Report 2004

- Americas (of which 2,754 are agent-employees)
- The Netherlands (of which 1,473 are agent-employees)
- United Kingdom (of which 159 are agent-employees)
- Spain
- Canada
- Hungary
- Taiwan (of which 580 are agent-employees)

**2.2 Report scope**

Divergence does exist between markets, countries and cultures. AEGON country units, however, subscribe to a common set of guidelines and principles. This Corporate Responsibility Report covers the major country units and all product and service lines. Financial information and information on the number of employees are the same as in the AEGON Annual Report 2004. This report has been coordinated by the Group Corporate Responsibility department. We invite you to share your opinion on AEGON's corporate responsibility ambitions and reporting (e-mail: [response@aegon.com](mailto:response@aegon.com)).

**GROSS PREMIUMS BY ACTIVITY** in EUR million



Source: AEGON Historical Data 1994-2004

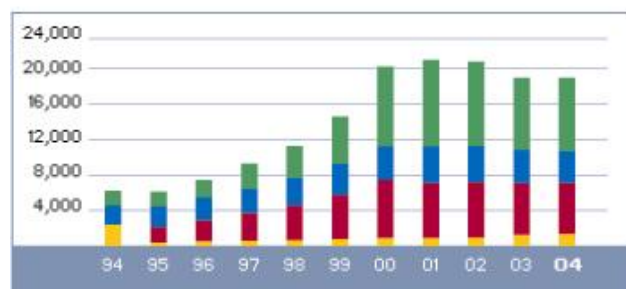
- Life insurance
- Accident and health insurance
- General insurance

<sup>1</sup> The figures over the years 1994 – 2001 have only been adjusted for the change in accounting for capital gains and losses on shares and real estate.

<sup>2</sup> Liabilities are EUR 238,5 billion and embedded value amounted to EUR 17.6 billion as per the end of 2004. Please refer to the AEGON Annual Report 2004 on [www.aegon.com](http://www.aegon.com) for the full financial statements.

### 3 ECONOMIC PERFORMANCE

**GROSS PREMIUMS GEOGRAPHICALLY TOTAL** in EUR million



Source: AEGON Historical Data 1994-2004

- Americas
- The Netherlands
- United Kingdom
- Other countries

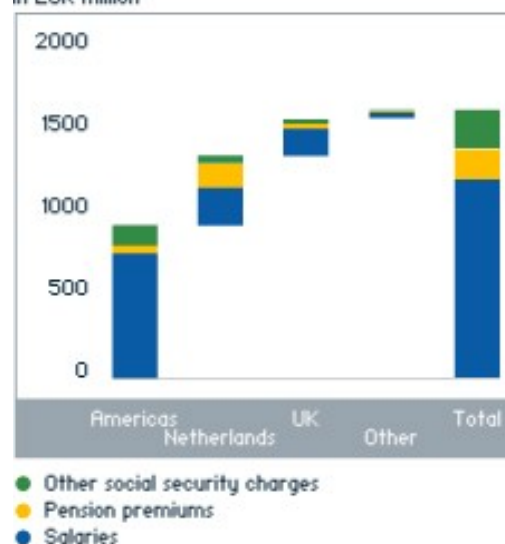
This part of the report provides information on the main elements that comprise AEGON's economic, social and environmental performance and the ways in which the AEGON Group conducts its business in a responsible way.

#### 3.1 Policyholders

Through its business units AEGON offers a variety of on-line financial services, in keeping with a multi-channel distribution strategy. On-line financial services can reduce the transaction cost between company and customer, improve productivity and efficiency as well as reducing the need for traveling and printed materials. Based on data representing roughly half of the company, it is estimated that 5.5% of revenues are generated through the provision of on-line financial services platforms.

**AEGON EMPLOYMENT COSTS 2004**

in EUR million



- Other social security charges
- Pension premiums
- Salaries

#### 3.2 Employees

Despite a decrease in the average number of employees from 28,521 to 27,906, AEGON's total employment costs increased with 8.3% from EUR 1.476 million in 2003 to EUR 1.598 million in 2004. This can be explained by an increase of the average salary with 3.3% (from EUR 41,303 to EUR 42,679) and a significant increase in the pension contributions in the USA and the Netherlands. The average employment cost, including pension contributions and social security charges rose from EUR 51,751 to EUR 57,264, an increase of 10.7%.

### 3.3 Capital providers

In 2004, AEGON paid EUR 664 million in interest to providers of debt capital, an increase of 2.9%. To its shareholders, AEGON paid EUR 256 million in cash dividends (an increase of 74%) and EUR 360 million in stock dividends (a decrease of 46%).

At December 31, 2004, equity capital represented 72% of the total capital base (up from 71% in 2003). The AA financial strength ratings assigned by Standard & Poor's to AEGON's operating units in the United States, the Netherlands and the United Kingdom were the same as in 2003.

#### SHAREHOLDER BASE AEGON N.V. COMMON SHARES percentage (estimated)



Source: AEGON Annual Report 2004

### 3.4 Suppliers and distributors

Payments to suppliers in 2004 were up 18% from last year to EUR 1.3 billion.

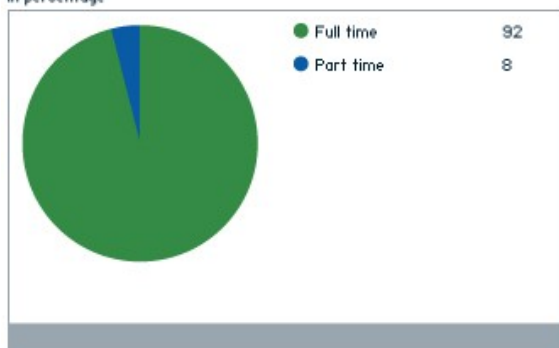
### 3.5 Public sector and society

AEGON's 2004 tax payments for the main markets are:

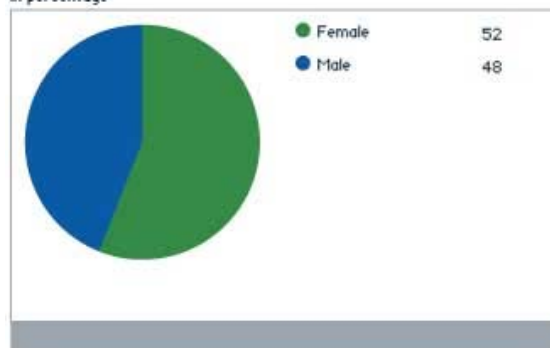
USA: USD 349 million  
[down USD 2.2 million from 2003]  
United Kingdom: GBP 0.6 million  
[down GBP 15.4 million from 2003]  
The Netherlands: (EUR 93 million)  
[down EUR 77 million from 2003]  
Other countries: EUR 24 million  
Consolidated at group level, AEGON paid EUR 187 million in taxes.

## 4 SOCIAL PERFORMANCE

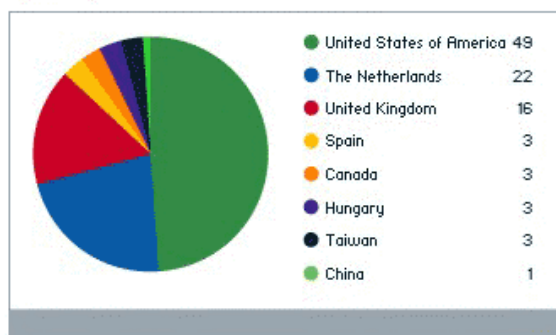
**AEGON FULL TIME/PART TIME EMPLOYEES**  
in percentage



**AEGON MALE/FEMALE EMPLOYEES**  
in percentage



**AEGON EMPLOYEES BY COUNTRY UNIT**  
in percentage



Source: AEGON Annual Report 2004

This part of the report provides information on the main elements that comprise AEGON's social performance and the ways in which the AEGON Group conducts its business in a responsible way.

### 4.1 Employment and employee development

#### 4.1.1 Work force and employee turnover

Female senior managers constituted approximately 16.3% of the total senior management teams across country units, a decrease relative to the 19% in 2003.

The total turnover rate of employees in 2004 was 12.9%, up from 10.9% in 2003. This increase was largely due to an increase in voluntary turnover, which comprises 60% of total turnover. Involuntary turnover represents 34% of total turnover, down from 54% due to less reorganization throughout the group in 2004. Turnover due to natural causes remained stable at 6%.

#### 4.1.2 Employee and management development

AEGON's spending on training increased by almost 34% from EUR 10.9 million to EUR 15.0 million, despite the decrease of the dollar against the euro. Per employee, the spending on training went up from EUR 440 in 2003 to EUR 574 in 2004. The average days of training per employees rose slightly from 3.9 to 4.0 days per year.

Developing AEGON's workforce is key to running the business, especially since financial markets and regulations develop constantly. A structured appraisal process is central to this objective. 77% of senior management, 91% of AEGON middle management and 96% of the rest of the workforce are subject to a standardized process. Appraisal for senior management follows a less standardized process since these functions are more specific and a more personalized appraisal process is often better able to capture these differences. Appraisal processes differ by country units and even within large country units. Methods that are used include, but are not limited to Management by Objectives, 360 Reviews or other multidimensional performance appraisals and in a very limited number of cases Comparative Ranking of employees.

## 4.2 Health and safety

During 2004, a total of 305 work-related injuries occurred worldwide, up slightly from 298 in 2003.

The graph 'Absentee Rate' indicates the absentee rates for 2003 and 2004. With the exception of the USA, all units show an increase in absentee levels. AEGON country units will continue to monitor this development.

AEGON refrains from giving a weighted average number for absenteeism at AEGON company level since definitions of absenteeism are different in the various countries.

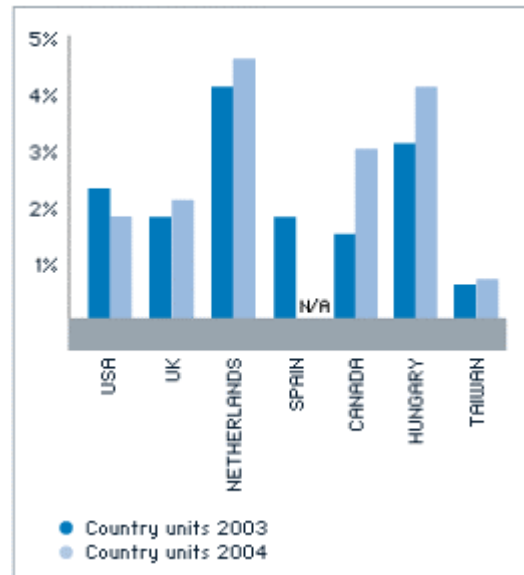
The relatively high number in AEGON The Netherlands is in line with higher absentee rates across industries in the Netherlands. In 2003 the country wide average was 4.8%. The figure for 2004 was not available at time of publication of this report

## 4.3 Responsible products

AEGON offers Socially Responsible Investment (SRI) funds managed by AEGON asset management divisions. During 2004, the amount of SRI funds in the UK grew by GBP 50 million from GBP 138 million to GBP 188 million. SRI funds as a percentage of total funds under management grew from 0.45% in 2003 to 0.60% in 2004.

In the Netherlands, SRI assets grew from EUR 57 million to 63 million. However, the share of SRI funds decreased slightly from 0.13% to 0.10%.

AEGON ABSENTEE RATE



## 4.4 Community impact

Cash donations in 2004 amounted to EUR 6.2 million, down slightly from EUR 6.5 million in 2003, a decrease of 5%. This decrease is due to a much lower value of the dollar relative to the euro. When correcting for currency movements, actual cash donations in 2004 were 9% larger than in 2003.

## 5 ENVIRONMENTAL PERFORMANCE

**As a financial services company, direct environmental impact is limited. Nevertheless, as a large organization, AEGON does consume raw materials and energy and its output has an impact on the environment.**

**The updated environmental figures in this chapter include data from Spain.**

### 5.1 Materials

AEGON's paper use rose by 15% to 3,285 metric tons.

### 5.2 Energy

In 2004, AEGON used 118.2 GWh of electricity, 12.4% more than in 2003. Gas use rose more sharply to 45%, which was 2.75 million m<sup>3</sup>. The total output of CO<sub>2</sub> of the entire AEGON Group amounts to 101,875 tons. The increase is partly due to the inclusion of the Meeûs subsidiary in the Netherlands. Per employee, the overall energy use results in 3.8 tons per year, an increase of 12% relative to 2003. Energy saving measures have been more than offset by adverse weather conditions in most country units.

### 5.3 Water use

The total water use of AEGON has risen slightly, again due to the inclusion of the Meeûs subsidiary in the Netherlands. However per employee total water use decreased with two liters per day to 70 liters per day in 2004.

### 5.4 Waste

For the 45% of the organization (as measured by employees) that monitors the waste production, the total amount of waste is 1450 tons. Approximately 48% of this is being recycled.

### 5.5 Transport

In 2004, the 65 million miles flown in the USA were 13% less than in 2003. The CO<sub>2</sub> emissions relating to USA travel went down by 13% as well and amounted to 11,633 tons in 2004.

### 5.6 Environmental management

The Netherlands operations of AEGON are ISO 14001 certified. Since 2004 AEGON UK has managed its operations according to ISO14001 standards but without certification. It aims to achieve this by the end of 2005. For the AEGON Group this means that 38% of the business, measured by employees, is managed according to ISO14001 standards.

## FORWARD-LOOKING STATEMENTS

Please read this notice carefully - it applies to all persons who read this Corporate Responsibility Report and, depending on who you are and where you live, it may affect your rights. You should read it in full.

The information in this Corporate Responsibility Report is intended to be useful and informative for customers of and investors in AEGON N.V. AEGON N.V. will use its best efforts to ensure that the information is accurate at the time it is added in this Corporate Responsibility Report.

All information in this Corporate Responsibility Report is information as of December 31, 2004, apart from the structural chart and the AEGON profile on page 4. For the avoidance of doubt the Corporate Responsibility Report does not contain information from any date thereafter.

Certain information in this Corporate Responsibility Report may be of a historical nature. All historical information contained in this Corporate Responsibility Report should be understood as referring to events and circumstances as they existed on the date that the relevant documents or presentations were first published or the relevant recordings were made.

The information in this Corporate Responsibility Report that is not a historical fact is a forward-looking statement as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as 'believe', 'estimate', 'intend', 'may', 'expect', 'anticipate', 'predict', 'project', 'counting on', 'plan', 'continue', 'want', 'forecast', 'should', 'would', 'is confident' and 'will' and similar expressions as they relate to us are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. AEGON N.V. does not undertake any obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations, including, but 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, including:
  - The frequency and severity of defaults by issuers in our fixed income investment portfolios; and
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in value of equity and debt securities we hold;
- ◆ The frequency and severity of insured loss events;
- ◆ Changes affecting mortality, morbidity and other factors that may affect the profitability of our insurance products;
- ◆ Changes affecting interest rate levels and continuing low interest rate levels;
- ◆ Changes affecting currency exchange rates, including the EUR/USD and EUR/GBP exchange rates;
- ◆ Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- ◆ Changes in laws and regulations, particularly those affecting our operations, the products we sell and the attractiveness of certain products to our consumers;
- ◆ Regulatory changes relating to the insurance industry in the jurisdictions in which we operate;
- ◆ Acts of God, acts of terrorism and acts of war;
- ◆ Changes in the policies of central banks and/or foreign governments;
- ◆ Litigation or regulatory action that could require us to pay significant damages or change the way we do business;
- ◆ Customer responsiveness to both new products and distribution channels;
- ◆ Competitive, legal, regulatory, or tax changes that affect the distribution cost of or demand for our products;
- ◆ Failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

Although AEGON N.V. obtains information from sources that are considered reliable, AEGON N.V. cannot guarantee the information's accuracy or completeness. AEGON N.V. accepts no liability for any losses or damage that may arise from relying on this information. The information may be changed by AEGON N.V. at any time. The information provided does not confer any rights. Dutch law shall apply.

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