

## SUSTAINABILITY 2010 REPORT TO STAKEHOLDERS



# SHARPENING OUR FOCUS

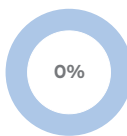
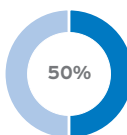
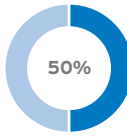
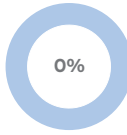
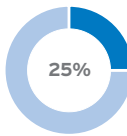
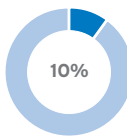



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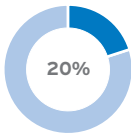
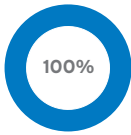
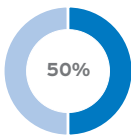


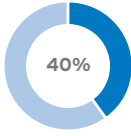
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## HIGHLIGHTS OF 2010

### PROGRESS REPORT

Objective	Year	Status	Progress
<b>Customers and business partners</b> Obtain global, consistent baseline measurements of key brand performance indicators.	2011	New	AEGON intends to introduce a baseline measurement to track progress of programs to strengthen the company's brands. This will accompany a renewal of AEGON's brand values. 
Introduce measures for customer loyalty or loyalty of financial intermediaries in all AEGON's major business units by the end of 2011.	2011	New	By the end of 2011, AEGON intends to have systems in place to measure customer satisfaction in all of its country and business units. At the same time, AEGON is introducing the Net Promotor Score in many of its business units as the company's preferred measure of customer loyalty (please see <a href="#">pages 32-33</a> ). 
<b>Employees</b> Launch a global employee engagement survey as part of efforts to improve the working environment for staff.	2008	In process	AEGON will launch its first Global People Survey in the second half of 2011, covering the company's entire workforce. 
Develop action plan to further improve levels of employee engagement, based on results from Global People Survey.	2011	New	Results from AEGON's Global People Survey will be known in late 2011, and published in AEGON's 2011 Sustainability Report. Based on these results, AEGON will develop a specific action plan to improve levels of employee engagement across the organization. 
Conduct full talent review for the first two tiers of senior management (below AEGON's Management Board) to identify potential development needs and support succession planning.	2011	In process	As part of its new global approach to talent and performance management, AEGON has initiated this talent review, which will be rolled out to the next tiers of the organization in following years. 
Include diversity in AEGON's existing Global Talent Management program.	2010	In process	Initial discussions have taken place both within senior management and with members of AEGON's Supervisory Board. Further work - with an emphasis on awareness building - will take place during 2011 to incorporate diversity into the company's overall Human Resources strategy. 

 = % of objective complete.

Objective	Year	Status	Progress
<b>The wider community</b> Develop and begin implementing a new company-wide policy on responsible investments.	2011	In process	 <p>AEGON intends to adopt a new responsible investment policy before the end of 2011. This policy will apply to all the company's investment operations worldwide. Further sector and issue policies will also be developed progressively over the next two years. Pending completion, AEGON has sold all remaining investments in manufacturers of controversial weapons held in the company's general account portfolios.</p>
Sign up to the United Nations Principles for Responsible Investment (UNPRI) as part of new approach to responsible investment.	2011	New	 <p>AEGON signed up to the UNPRI in February 2011. AEGON's asset management business in the United Kingdom has been a signatory to the UNPRI since 2008, and will continue to report progress towards the principles separately.</p>
Develop a target to reduce carbon dioxide emissions over a five-year period.	2010	In process	 <p>Work has started in this area, but has taken longer than expected. AEGON now aims to set a CO<sub>2</sub> target by the end of 2011.</p>
Implement a new company-wide policy on charitable donations.	2010	Complete	 <p>AEGON's new policy on corporate donations has now been approved by the company's Management Board and was published on <a href="http://www.aegon.com">www.aegon.com</a> in March 2011. The policy includes a number of targets, which will take effect from the beginning of 2013.</p>
<b>Sustainability reporting</b> Collate and publish details of AEGON's voting record as a shareholder in other companies.	2009	Complete	 <p>Voting records from AEGON asset management companies in the Netherlands, the United Kingdom and Canada are now available via <a href="http://www.aegon.com">www.aegon.com</a>. AEGON does not currently publish voting records for its investment companies in either the United States or Central &amp; Eastern Europe.</p>
Establish a series of key performance indicators and targets for sustainability.	2010	In process	 <p>AEGON is in the process of establishing key performance indicators to track progress with the company's sustainability strategy. Not all of these indicators are immediately available, and will be introduced progressively over the next 2-3 years.</p>

 = % of objective complete.

## OVERVIEW OF THE YEAR

**MARCH**

AEGON sends EUR 220,000 to help victims of the devastating earthquake in Haiti, half the amount raised by employees.

AEGON sells Dutch funeral insurance business to bring greater focus to the company's product range in the Netherlands.

AEGON urges political parties to get to grips with the United Kingdom's worsening pension gap.

**APRIL**

**JUNE**

CEO Alex Wynaendts sets out a vision for AEGON, including a sharper focus on the company's three main businesses: life insurance, pensions and asset management.

AEGON announces a restructuring of its businesses in the United Kingdom and a possible divestment of its international reinsurance activities.

AEGON USA celebrates fifty years in Cedar Rapids, where the company is one of the city's leading employers.

Carla Mahieu is named AEGON's first-ever global Head of Human Resources, bringing a more integrated, company-wide approach to talent management and human resources issues.

**JULY**

**AUGUST**

AEGON receives approval from the European Commission for support from the Dutch State obtained at the height of the recent financial crisis.

At the same time, AEGON agrees to repay a further EUR 500 million in Dutch State capital support, reducing the amount still owing to EUR 1.5 billion, half the original EUR 3 billion.

AEGON appoints Robert Collignon as Head of Brand and Customer Strategy.

AEGON launches new version of the Global Ethics Line, which has been updated to take into account recent changes in business practice and the international regulatory environment.

Marc van Weede is appointed as AEGON's global Head of Sustainability.

**OCTOBER**

## NOVEMBER

AEGON's Schools Tennis Program has now reached 1 million children in the United Kingdom since it was launched in 2009.

AEGON's iconic Transamerica Pyramid building in San Francisco wins Green Building Super Heroes award, acknowledging it as one of the greenest buildings in the United States.

AEGON is announced as a member of the Dow Jones Sustainability World and European indexes for 2011.

AEGON announces restructuring of some of its businesses in the United States and the closure of its offices in Louisville.

## DECEMBER

## EXTERNAL REPORTS

### Dow Jones Sustainability index

In 2010, AEGON maintained its position in the Dow Jones Sustainability World index and regained its place in the European index. AEGON's overall DJSI score improved to 70 points, up from 68 points in 2009<sup>1</sup>. The improvement was due mainly to gains in brand and environmental management.

'Dimension'	AEGON score	Industry average	Best
Economic	82	61	87
Environmental	68	41	86
Social	62	37	76
<b>TOTAL</b>	<b>70</b>	<b>46</b>	<b>79</b>

Source: SAM, 2010 assessment.

### Dutch Ministry of Economic Affairs, Agriculture and Innovation: Transparency Benchmark

Every year, the Dutch government publishes its annual 'Transparency Benchmark'. Compiled in 2010 by KPMG, the benchmark measures companies in the Netherlands against a series of economic, social, governance and environmental criteria. Scores are based on companies' 2009 reports. The model used by the Dutch Ministry for Economic Affairs was modified in 2010. As a result, scores are not directly comparable with the previous year. In the latest benchmark, published in January 2011, AEGON was rated 20th from a total of 500 companies participating.

### Eerlijke Bankwijzer (The Fair Bank Guide, the Netherlands)

Over the past two years, the Eerlijke Bankwijzer – a coalition of non-governmental organizations in the Netherlands – has published various reports on the Dutch banking and financial services sector's management of environmental, social and governance issues. These reports have focused on investments by Dutch financial institutions in three areas:

- Controversial weapons
- Sustainable electricity generation
- Clothing sector

<sup>1</sup> AEGON has been included in the **Dow Jones Sustainability Index** for the past eleven years. The index includes only those companies ranked in the top 10% for corporate sustainability purposes. The rating is based on independent research carried out by SAM, an asset management company specializing in sustainable investments. In SAM's original 2010 assessment, AEGON was given a score of 69, a slight improvement from 68 the year before. This resulted in AEGON losing its place in the DJSI World index. AEGON had lost its place in the DJSI European index in 2009. After a review of the index, however, AEGON's score was revised up to 70 and the company was restored to both the World and the European indexes. SAM ordered the review after discovering a software fault.

Eerlijke Bankwijzer made the following statements about AEGON's performance in these areas:

#### Controversial weapons (July 2009):

*"From the research carried out there was no information to suggest that AEGON itself invests in controversial weapons (either the manufacture of controversial weapons or the sale of those weapons to debatable regimes), but AEGON managed funds do."*

**AEGON response:** Pending completion of a new responsible investment policy, AEGON has sold all remaining holdings in manufacturers of controversial weapons held in the company's general account portfolios. In the Netherlands, AEGON has a policy of not investing in companies that manufacture anti-personnel mines, cluster munitions or other controversial weapons.

#### Sustainable electricity generation (May 2010):

*"In the research period - January 1, 2007 to December 31, 2009 - 11% of AEGON Bank's electricity sector investments was invested in sustainable electricity. AEGON Bank was therefore significantly below both the average and the desired minimum of 66% of all electricity investments."*

**AEGON response:** AEGON Bank makes up a relatively small part of the company's overall investment portfolio. AEGON has significant investments in sustainable energy sources, particularly in the United States.

#### Clothing sector (September 2010):

*"AEGON Bank recorded a modest score in our research: a score that was lower than that of AEGON Bank's own labor rights policy. AEGON Bank has no policy for the manufacturing or any other sector."*

**AEGON response:** AEGON is currently developing a new approach to responsible investment. The company's intention is that this approach, once implemented, will cover areas of possible concern, including child labor in the clothing industry. For further details, please see [page 85](#).

#### Eerlijke Bankwijzer's conclusion, covering both 2009 and 2010:

*"It was striking that, of the six banks that were criticized after our research into weapons investments, only AEGON Bank seems to have no measures at all either to sharpen up its weapons policy or divest its holdings in controversial weapons. AEGON Bank scored below average in sustainable electricity and was weak in its investments in the clothing sector."*

**Please see AEGON responses above.**

Please note that Eerlijke Bankwijzer's conclusion was published before AEGON's decision to sell its general account investments in manufacturers of controversial weapons had been widely communicated.

#### FTSE4Good /EIRIS

AEGON was again included in the FTSE4Good Index in 2010. This index measures the performance of leading companies against recognized sustainability standards. In compiling the index, FTSE4Good works closely with EIRIS - the Ethical Investment Research Service.

## Goldman Sachs

### Sustainable Returns in Global Insurance

Investment bank Goldman Sachs ranked AEGON as joint fifth in its survey of global life insurers' management of environmental, social and governance issues:

Top ten only	Overall score	Governance	Social - Leadership	Social - Employees	Social - Stakeholders	Environment
Aviva	83	24	9	21	19	10
AXA	74	23	7	20	14	10
Legal and General	72	25	7	20	15	5
Royal Sun Alliance	71	21	7	18	19	6
ING	69	22	8	15	18	6
<b>AEGON</b>	69	22	6	19	16	6
Munich Re	68	18	7	17	16	10
Prudential	66	23	7	18	14	4
Zurich Financial	65	25	2	17	12	9
Swiss Re	61	22	7	12	12	8
MAXIMUM SCORE	95	30	10	25	20	10
<b>AVERAGE (ALL COMPANIES)</b>	<b>54.7</b>	<b>20.9</b>	<b>4.1</b>	<b>12.0</b>	<b>10.4</b>	<b>4.8</b>

## Oekom Research

Oekom's latest report on AEGON rates the company C Prime, unchanged from the previous year. Oekom classifies as 'Prime' those companies that meet sector-specific minimum requirements and rank among the leaders in that sector. C equates to 'Medium'. AEGON's C Prime rating comprised the following grades:

Category	Rating	Previous rating
Staff and suppliers	C	C+
Environmental management	C+	C
Society and product responsibility	C	C
Products and services	D	D
Corporate governance and business ethics	A	A
Eco-efficiency	D+	C
<b>OVERALL RATING</b>	<b>C PRIME</b>	<b>C PRIME</b>

Oekom's report identified a number of strengths and weaknesses in AEGON's performance:

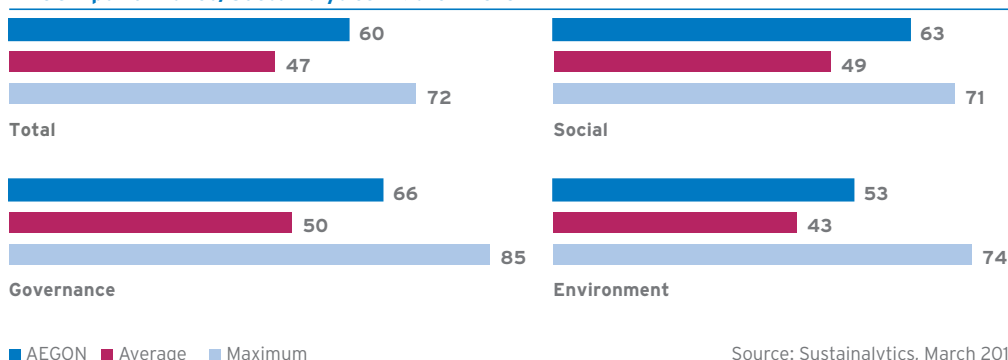
Strengths	Weaknesses
Reasonable measures are taken to ensure responsible advertising and transparent design of insurance policies.	Lack of transparency regarding the integration of environmental and social aspects into the company's investment portfolio.
Comprehensive and transparent social reporting.	Lack of transparency regarding measures to reduce the environmental impact of business travel.
Detailed and comprehensive Code of Conduct covering important aspects of business ethics.	
Extensive monitoring of resource consumption and emissions.	

Based in Munich, Oekom Research AG is an independent rating agency, providing in-depth information and analysis of companies' environmental and social performance.

### Sustainalytics

In its latest report, published in March 2010, Sustainalytics ranked AEGON 6<sup>th</sup> in a global peer group of 87 insurance companies.

#### AEGON performance/Sustainalytics - March 2010



Headquartered in Amsterdam, Sustainalytics (formerly SiRi) specializes in sustainability research and analysis for investors and financial institutions.

### Vigeo

In 2010, AEGON lost its place in Vigeo's Advanced Sustainable Performance Index (ASPI) following an annual review. In its report, Vigeo highlighted a number of concerns, including a lack of information on labor rights and health and safety issues, as well as questions over the effectiveness of AEGON's internal controls following a steep increase in impairments in 2009.

Vigeo supplies research and analysis on companies' sustainability performances to asset managers across Europe. Its ASPI index comprises 120 companies across all sectors of the economy.

## AEGON'S FINANCIAL PERFORMANCE

In 2010, both AEGON's underlying earnings and net income improved considerably. The increases were the result of business growth, cost savings, further improvements in financial markets and strengthening of the dollar against the euro. Sales increased in most countries, while gross deposits also increased. AEGON's capital position improved during the year, with core capital of EUR 18.7 billion at year-end 2010.

In EUR million	2010	2009	% change
Underlying earnings before tax	1,972	1,185	66%
Net income	1,760	204	NM
New life sales	2,213	2,100	5%
Gross deposits (excluding businesses in run-off)	32,580	27,616	18%
Value of new business	555	767	(28%)
Return on equity	9.8%	5.7%	72%



## ■ MESSAGE FROM AEGON'S EXECUTIVE BOARD

We firmly believe that our business is based on trust. As such, we are committed to working each day to validate the trust of our customers, business partners, shareholders, employees and the larger communities we serve.

We recognize that the financial crisis caused many to question the fundamental soundness of the financial services sector and compromised the trust that is so critical to our business. Over the past three years we have worked hard to reinforce trust in AEGON and in our long-term commitment to assisting our many customers around the world secure their financial futures. We have strengthened our balance sheet, reduced our exposure to the volatility of financial markets, achieved significant cost reductions and sharpened our focus on our core business of life insurance, pensions and asset management. Without question, AEGON today is a different company.

The strategic actions we continued to pursue during the past year support our ambition to be a leader in all our chosen markets by 2015. It is important to note that by "leader" we do not mean being the biggest in our sector. Rather it means being the most recommended by our customers, the preferred partner for our distributors and the employer of choice for our current and future employees. Of course, achieving recommended status is predicated on how we serve our customers, how we manage our business and engage with our many stakeholders to create long-term value.

The performance of our business during the course of the year further confirmed that our strategy is the right one. AEGON achieved strong underlying earnings, robust sales and increased financial strength, with an excess capital position of EUR 3.8 billion over and above what is required for a double-A financial strength rating. Maintaining this level of capital buffer, we believe, is essential to safeguarding confidence in AEGON and ensuring that we are able to deal with any unforeseen effects of the continued economic uncertainty. Moreover, during 2010 AEGON took important steps toward repaying the capital support received from the Dutch State at the height of the financial crisis. We are confident in our aim to complete full repayment by the end of June 2011.

A key aspect of our strategy is to invest in the considerable potential which the developing markets of Asia, Central & Eastern Europe and Latin America represent. In line with our priority of creating a better geographical balance, we want to direct more of our resources to these areas that offer strong growth prospects and higher returns in the longer term. In this regard, AEGON is committed to building sustainable businesses in these new markets that are able to respond to market developments and evolving customer needs.

At the same time, we are working to further improve the performance of our businesses in the United States, the Netherlands and the United Kingdom. Toward this end, we are capturing a broad range of operational efficiencies resulting from our decision to consolidate operations and restructure our businesses to be more responsive to the opportunities in our core businesses. This focus has also necessitated making clear decisions about which businesses contribute to AEGON's growth prospects and which businesses do not. Inevitably, these decisions affect employees, customers, distributors, local businesses and communities. It is for this reason that we believe ongoing engagement with our stakeholders is so important.

In our aim to enhance customer loyalty, we are implementing a consistent approach for measuring customer satisfaction – known as the Net Promoter Score. We have already integrated this valuable tool in our businesses in the Netherlands, Central & Eastern Europe and in parts of our US operations. We will use the insights this measurement system provides to further improve our service levels on a more consistent basis. Moreover, we recognize that our success and reputation will always depend on the quality of our employees and their commitment to the values and behaviors defined in AEGON's Code of Conduct. For this reason, we have launched a new talent and performance management program for all employees which will be further developed and rolled out across the entire AEGON organization.

In other key areas that impact AEGON's reputation, we have become a signatory to the UN Principles for Responsible Investment, put in place new policies on executive compensation, and introduced a new governance framework for AEGON's charitable contributions around the world.

This report provides an overview of steps we have taken over the past year in these important areas of sustainability, while also making clear where we need to improve going forward. As we strive to make a positive and lasting difference in helping customers achieve financial security, we remain committed to fulfilling AEGON's broader responsibilities to society at large. As such, we look forward to maintaining an open and constructive dialogue with you and our many other stakeholders.

Thank you for your continued interest in our progress.



**Alex Wynaendts**

Chief Executive Officer and  
Chairman of the Executive Board  
of AEGON N.V.



**Jan Nooitgedagt**

Chief Financial Officer and  
Member of the Executive Board  
of AEGON N.V.

## ■ OUR APPROACH TO SUSTAINABILITY

In each of the past eight years, we have reported on our sustainability strategy and initiatives. We do this because we believe AEGON should be accountable to its stakeholders.

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In the past, we measured a company's success primarily by its earnings. Essentially, companies reported on their activities to shareholders. As a company with some 40 million customers and around 27,500 employees worldwide, we have much broader responsibilities. We contribute to the success of our stakeholders, and they help determine ours.

Employees who are engaged and motivated, for example, will deliver higher levels of customer service, which in turn will improve company performance and returns for shareholders. A company that invests responsibly and treats its customers fairly minimizes risk and helps strengthen its brand and reputation. To reflect this approach, we've subtitled Sustainability 2010 'Our Report to Stakeholders'. It is an account of how we work together with our customers, with our business partners, with our employees and with the communities in which we operate, where we succeed and where we fail. In this report, we have tried to be as objective as we can. And, where possible, we have incorporated the suggestions of our stakeholders to improve the quality of the report. This year, for example, we've introduced an overview of our objectives, and we're also providing a shorter version of the report, which sets out concisely our approach and our goals in this area. This report is not an end in itself. It is part of a continuous dialogue between AEGON and its stakeholders. In 2011, we want this dialogue to continue, and to grow stronger. Our promise is that, where we can, we will act on this dialogue. We will explain the decisions we take as a business. When we implement measures and initiatives, we will report on them as clearly and as objectively as possible, with specific goals and outcomes. Across our businesses, we will endeavor to manage our resources responsibly - in the interests both of AEGON and its stakeholders.

### **Marc van Weede**

Global Head of Sustainability, AEGON N.V.

## WHO WE ARE AND WHAT WE DO

AEGON was formed in 1983 through the merger of two Dutch insurance companies: AGO and Ennia. But AEGON can trace its roots back to the first half of the nineteenth century. Today, AEGON is one of the world's leading providers of life insurance, pensions and asset management, with businesses in more than twenty countries in the Americas, Europe and Asia. AEGON employs approximately 27,500 people, serving 40 million customers and managing EUR 413 billion in revenue-generating investments.

- AEGON's main markets are the United States, the Netherlands and the United Kingdom. Together, these markets account for more than three-quarters of AEGON's business and nearly 80% of the company's global workforce.
- In recent years, AEGON has also built up operations in new markets. The company is currently present in six countries in Central & Eastern Europe, as well as China, India and Japan in Asia, and Brazil and Mexico in Latin America. AEGON is also one of the leading providers of life insurance in Spain and has a partnership in France with insurance and pension specialist AG2R La Mondiale.
- All the countries in which AEGON has businesses are listed as 'free' by Freedom House, the non-governmental organization that promotes democracy and human rights, with two exceptions: China ('not free') and Turkey ('partially free').

### Aging populations

AEGON believes that its core businesses - life insurance, pensions and asset management - have strong potential for growth in the years ahead:

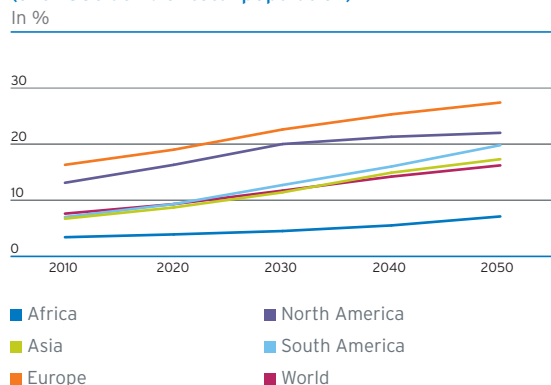
- Populations in many countries are aging.
- The burden of retirement provision is increasingly shifting from the public to the private sector.
- At the same time, working age populations are shrinking.

The United Nations estimates that, by 2050, more than a quarter of the population in the world's most developed countries will be over the age of 65. This is placing strain on national pension systems, but opening up new opportunities for private sector providers like AEGON. The rise in life expectancy means that people are spending longer in retirement, leading to increased demand for products and services that help people manage their financial resources once they have stopped work.

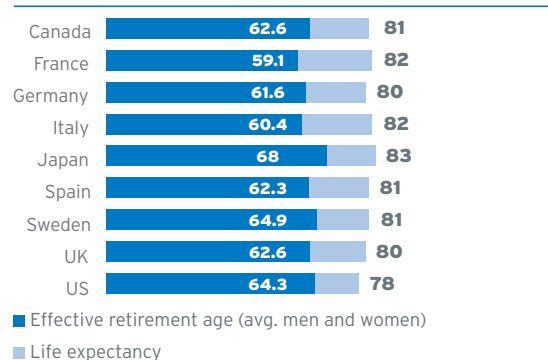
In the years ahead, AEGON believes the insurance industry will have a vital economic and social role to play protecting living standards and ensuring the long-term viability of pension systems around the world. In 2009, life insurance premiums worldwide totaled just over USD 2.33 trillion\*.

\* Source: Swiss Re, World Insurance in 2009.

#### World's aging populations (over 65s as % of total population)



#### Who's spending longer in retirement?

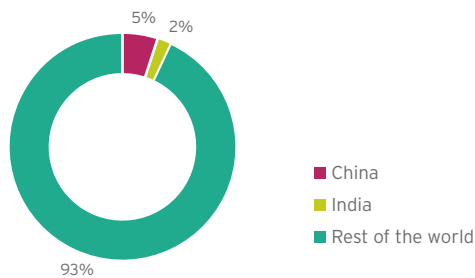


Sources: UN estimates (World Population Prospects), World Bank, Organization for Economic Development & Cooperation (OECD).

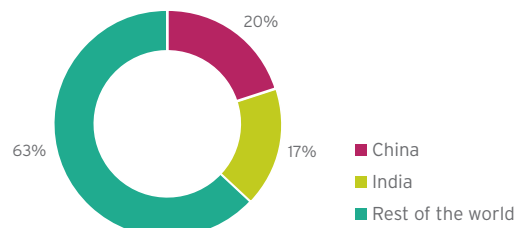
## Emerging markets

In recent years, new markets have opened up in Central & Eastern Europe, Asia and Latin America. In many of these areas, a combination of rising wealth and economic reform has led to the emergence of new and ambitious middle classes. In Central & Eastern Europe, reform has brought more open economies and an expanded role for the private sector. In both China and India, meanwhile, economic growth has resulted in greater prosperity and a rapid expansion in urban middle classes. Markets in Asia have tremendous potential for growth – currently, China and India account for just 7% of the global life insurance market, but 37% of the world's population.

World life insurance market by premium



World population



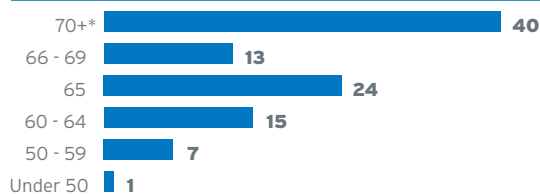
Source: UN World Population Prospects and Swiss Re, World Insurance in 2009.

## Aging in America

As the US population ages, some Americans could be facing a bleak retirement. According to the Transamerica Center for Retirement Studies®, many are planning to work past the age of 70, or may not even retire at all. More than two thirds believe they could work until the age of 65 and still not have saved enough for their retirement. According to the Center's 11th Annual Retirement Survey workers are concerned they will 'outlive their money and not be able to meet basic financial needs'. The survey also stresses that better education about pensions and financial planning would improve matters. Currently two in three workers admit they don't know as much as they should about investing for retirement. Over the years, the Center's annual survey has become a widely-respected and sought-after source of information on pension and retirement issues for the US media, the government and non-governmental organizations.

### At what age do you expect to retire?

In %



\* Age 70+ or do not plan to retire

The Transamerica Center for Retirement Studies® is a non-profit private foundation, funded partly by AEGON's US subsidiary Transamerica Life Insurance Company. The Center is dedicated to educating the public on emerging trends surrounding retirement security in the United States. Its research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes.

Source: 11th Annual Transamerica Retirement Survey, based on a sample of 3,598 workers and 600 employers across the United States. For further information, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).

### Care homes for the elderly

In the United Kingdom, AEGON operates a specialist fund investing in care homes for the elderly. AEGON's aim is to raise GBP 300 million for the fund, which invests in nursing homes, day surgeries and care facilities for those suffering from dementia and other illnesses. So far, the fund has raised GBP 45 million, plus a GBP 25 million debt facility from the Royal Bank of Scotland. In early 2011, the fund bought eight care homes in Scotland and northern England, and is expecting soon to add a further three to its portfolio. AEGON expects demand for private care to grow significantly in the years ahead, given the United Kingdom's aging population and pressure on public spending. "As the population ages, we're seeing more people spending longer in care at the end of their lives," said Jon Dadswell, Head of Property Businesses Development at AEGON Asset Management in the United Kingdom. "With the government unable to meet the rising costs, people are turning increasingly to private sector providers."

## BUSINESS AND MARKET ENVIRONMENT

The worldwide insurance and pensions industry is experiencing a period of significant change. Part of the explanation for this is the shift in market and economic conditions. The financial crisis, which began in the second half of 2008, has accelerated many of these changes, particularly with regard to regulatory reform and customer behavior.

The global insurance industry faces a number of challenges:

- Reforms to the pension industry, particularly in Europe.
- Further regulatory reform, including the overhaul of European capital adequacy requirements.
- Changes to customer behavior and public expectations in the wake of the 2008 global financial crisis.

### Pension reforms

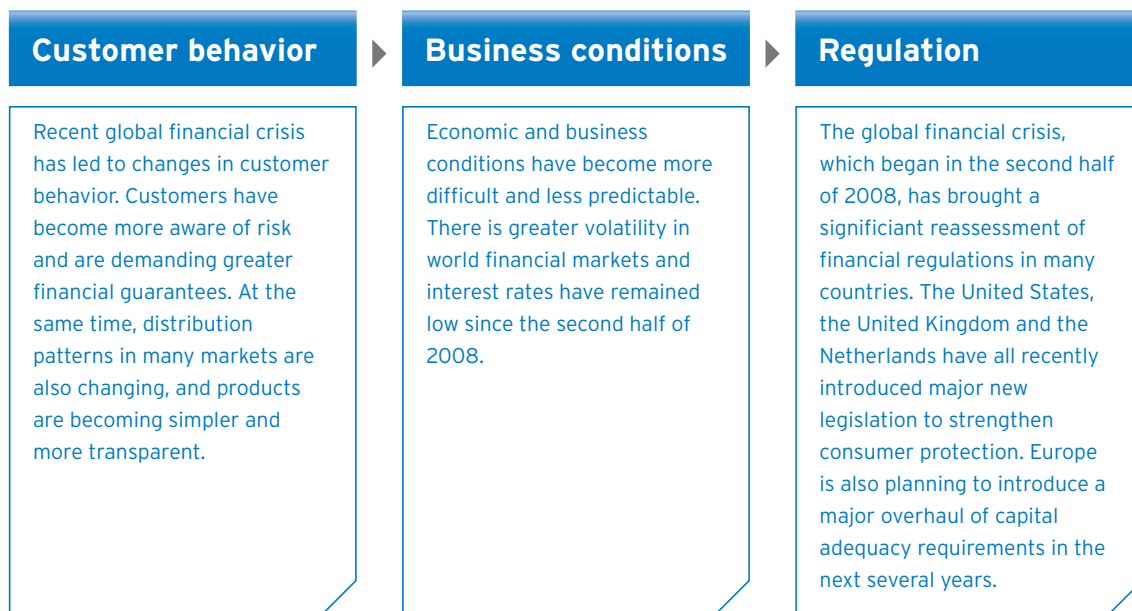
Many western European countries are now reforming their pension systems. Most face the same combination of aging populations, shrinking workforces and slower or non-existent economic growth. As a result, state pay-as-you-go pension systems have become increasingly unaffordable. In the past year, governments in the United Kingdom, France, Germany, Spain, Italy and the Netherlands have all announced significant reforms to their pension systems. In addition, many people are turning to private pensions or other long-term savings products as a complement to existing state pensions. In Central & Eastern Europe, reform in the 1990s and 2000s saw the introduction of mandatory private pensions in many countries. More recently, however, new legislation is threatening to reverse this trend. Hungary's government introduced a law at the end of 2010 effectively nationalizing the country's private pension funds. In Poland, the government has announced plans to reduce individual contributions to private funds.

### Global Coalition on Aging

In 2010, AEGON co-founded the Global Coalition on Aging, an alliance aimed at raising awareness of the issue of global aging. The Coalition brings together ten multinational companies from the pharmaceuticals, financial, life sciences, technology and food industries: Bank of America Merrill Lynch, Danone, Deloitte, Galderma, Intel, Johnson & Johnson, Novartis, Pfizer, Universal America and AEGON. The Coalition's aim is to provide leadership, research and advocacy for governments and private companies affected by all aspects of aging. Over the next three years, the Coalition will roll out a strategic plan to drive social and policy changes in four main areas:

- Education and work
- Financial planning and security
- Health and wellness
- Technology, innovation and biomedical research

## HOW THE GLOBAL INSURANCE BUSINESS IS CHANGING



### Customer behavior

In many areas, new legislation has accompanied a significant change in consumer attitudes and behavior. Some of this change may be traced to the effects of the recent global financial crisis. AEGON expects these changes to accelerate further in the coming years due to various factors:

- An increased awareness of risk among customers.
- Growing demand for clear, simple and easy-to-understand products.
- An expansion in the use of new technology and social media to sell financial products, including pensions and life insurance.
- The emergence of online and other non-traditional providers.
- The shift away from commissions-based sales forces to financial advisors, particularly in the United Kingdom and the Netherlands.
- New legislation in many markets requiring increased transparency on pricing and fees.

In each of its markets, AEGON realizes that it must adjust to changes in distribution and customer behavior. This has led to increased emphasis within the company on product development, new and emerging distribution channels and improvements in communications to customers and other stakeholders, as well as further efforts to reduce both operating and distribution costs.

### Capital adequacy

In 2013, the European Union will introduce new capital adequacy rules for insurance companies. These rules, known as Solvency II, are expected to bring about a significant change in the way insurers, including AEGON, approach risk and capital management. Importantly, the rules are based on the principle that the amount of capital held by an insurance company must be directly linked to the risks it has taken on and the nature of those risks. AEGON welcomes the introduction of this principle, which it believes will:

- Benefit those companies with strong risk management.
- Strengthen public trust in the insurance sector.
- Provide greater protection to customers and policyholders.

In addition, Solvency II should mean increased transparency and therefore greater competition, which in turn should drive improvements in product development and in pricing.

There is now broad agreement on the principles behind Solvency II, but AEGON recognizes that there are still a number of areas where further discussion and clarification is required, particularly in the approach to EU companies with businesses outside the European Union.

#### **Solvency II: toward a new capital adequacy system for Europe's insurers**

In Europe, new rules covering the insurance industry have been proposed and are currently being debated. The Solvency II framework will replace and enhance the Solvency I framework, the currently applicable EU rules on capital for insurers. Solvency II is expected to come into force on January 1, 2013.

In broad terms, Solvency II will apply to insurance and reinsurance companies in Europe and to groups with European insurance and/or reinsurance businesses, and will redefine the rules under which insurers calculate their capital. The amount of capital an insurance company will be required to hold under the rules of the Solvency II framework will be determined in a more risk-sensitive way, and more by the type of business it writes and the way it manages its risks than under the current rules.

In addition to a risk-based approach, the proposed framework for Solvency II is intended to create a more harmonized European framework of prudential regulation of insurers and reinsurers. The main aims of Solvency II include:

- The introduction of more sophisticated, comprehensive and risk-sensitive solvency requirements, enabling a better coverage of the risks run by any particular insurer.
- Improved transparency through more extensive disclosure of information (among other measures), thus providing rating agencies, policyholders, brokers, and investors with a better understanding of how individual insurance companies are run, the risks they take and how they allocate their capital; the aim is to allow market discipline to help ensure the soundness and stability of insurers.
- A uniform and enhanced level of policyholder protection; the Solvency II framework should reduce the chance of any particular insurer failing.
- Efficient allocation of capital across the industry, resulting in reduced costs for consumers.
- Increased competition between insurance companies, leading to improved product development and pricing.

AEGON has been managing its business using economic value metrics for a number of years, in addition to using more traditional measures such as embedded value and IFRS earnings. AEGON is working hard with European regulators and supervisors to ensure that Solvency II is implemented in a way that will ensure the company's ability to remain competitive. A significant amount of AEGON's business is located in the United States, where the company competes against US domestic companies that are not subject to Solvency II requirements. AEGON is coordinating its efforts with key European decision makers to ensure the best outcome for its businesses.

To support the introduction of Solvency II, AEGON has put in place a global project team tasked with implementing Solvency II across its businesses. The project team covers a range of disciplines, including Finance, Risk Management and Actuarial. The team is presently setting the direction, methodology and strategy for the company's implementation of Solvency II. It also supports teams in each of AEGON's strategic business units that are working on the company's implementation of Solvency II.



## Changes in regulation

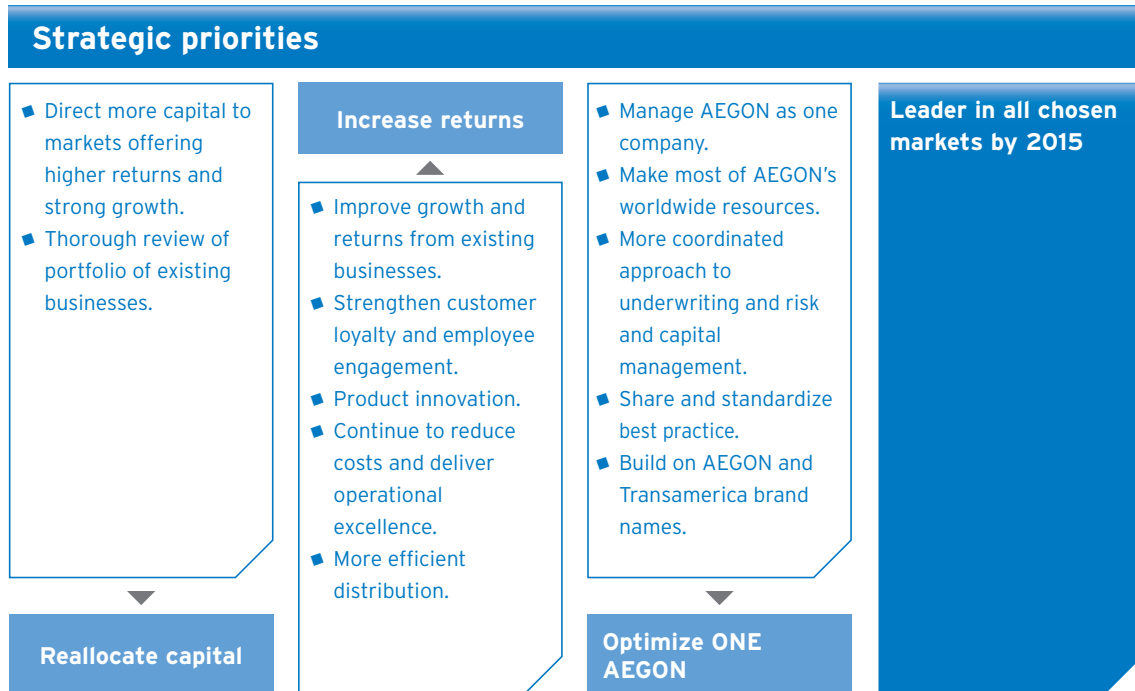
Recent years have seen significant changes in financial sector legislation in a number of countries. In many cases, these changes are aimed at strengthening customer protection in the wake of the recent financial crisis:

### Highlights of recent regulatory changes in AEGON's main markets

<b>United Kingdom</b>	<ul style="list-style-type: none"> <li>■ Government currently planning a new regulatory structure to replace the existing Financial Services Authority. Two new regulators will be created: a Prudential Regulatory Authority under the governance of the Bank of England and a new Consumer Protection and Markets Authority.</li> <li>■ In addition, the Retail Distribution Review is expected to have a major impact on the structure of the financial services industry in the United Kingdom. Under the review, payment to financial advisors will no longer be determined by product providers, but agreed as a fee between advisor and customer. The Retail Distribution Review is expected to be fully operational by the end of 2012.</li> </ul>
<b>The Netherlands</b>	<ul style="list-style-type: none"> <li>■ The Netherlands' Act on Financial Supervision is expected to have considerable effect on relations between customers, product providers and financial advisors.</li> <li>■ Under the Act, customers will agree fees directly with advisors and intermediaries. Product providers will no longer pay commissions.</li> <li>■ Full price transparency on complex products, including mortgages, was introduced at the beginning of 2010.</li> </ul>
<b>European Union</b>	<ul style="list-style-type: none"> <li>■ The European Union is introducing tighter rules on product information for customers through a number of different regulations, including the European Directive on Mediation.</li> </ul>
<b>United States</b>	<ul style="list-style-type: none"> <li>■ In 2010, the US government introduced major reform of the financial sector under the Dodd-Frank Wall Street Reform and the Consumer Protection Act. Further regulations will be considered over the next two years.</li> </ul>
<b>Central &amp; Eastern Europe and Asia</b>	<ul style="list-style-type: none"> <li>■ Countries in both Central &amp; Eastern Europe and Asia are paying greater attention to market conduct standards.</li> </ul>

## AEGON'S BUSINESS STRATEGY

AEGON has set itself a very clear ambition: to become a leader in all its chosen markets by 2015. This goal is based on achieving a number of key priorities:



For more details on AEGON's business strategy, please refer to the 2010 Annual Report, available on [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

## OUR STAKEHOLDERS

AEGON uses a '**stakeholder framework**' to help define its approach to sustainability and identify issues of material importance to the company (see below). This framework helps shape both internal initiatives and AEGON's overall policies with regard to sustainability issues, as well as providing support to the company's broader business strategy.

Customers	Employees	Business partners	Wider community	Investors
Products and services	Job creation and security	Supplier practices and policies	Protecting the environment	Risk management
Customer loyalty	Salaries and benefits	Governments and regulators	Community support	Corporate governance
Brand	Training and career development	Agents, brokers and other intermediaries	Charitable donations	Assurance
Financial literacy	Diversity		Responsible investments	Shareholder rights
	Protecting human rights of workforce			Executive remuneration
	Employee representation			
	Employee satisfaction and engagement			



AEGON's Sustainability Report follows a similar structure, and aims to provide both information and a focus for continued dialogue with the company's stakeholders. Consequently, this report is structured around AEGON's main stakeholder groups: its customers, employees, business partners, investors as well as the wider community in which the company operates. AEGON believes that this stakeholder framework provides a balanced approach to gauging the company's overall performance, taking into account financial, social, environmental and governance factors.

## WHO ARE OUR STAKEHOLDERS?

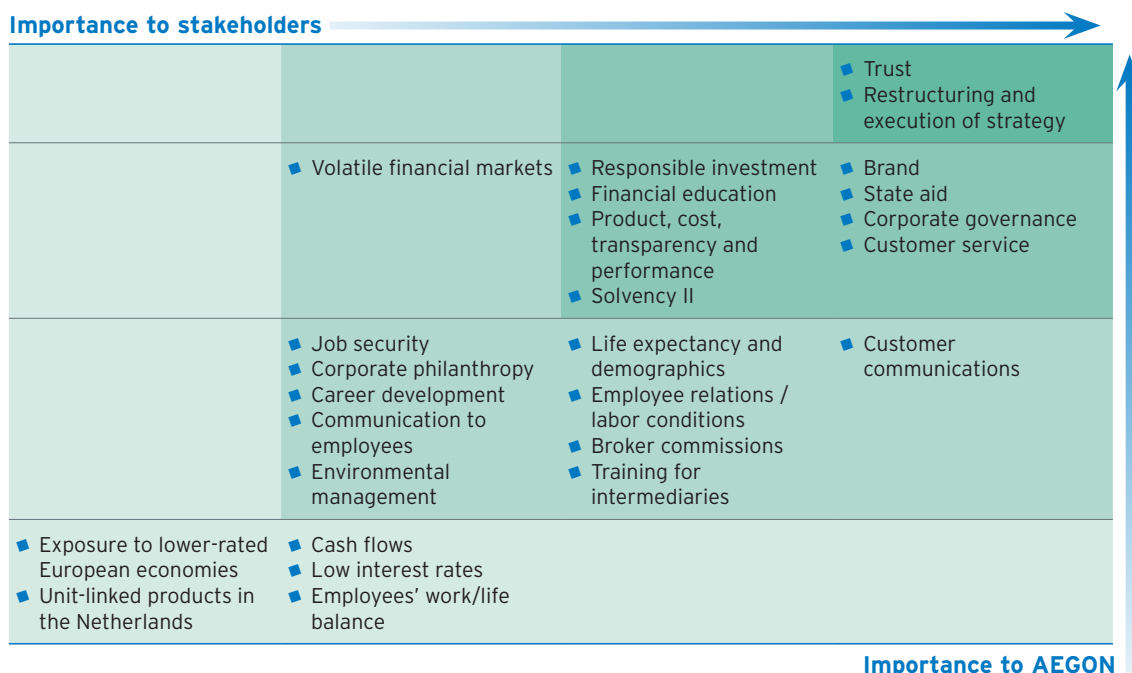
It is important for a company like AEGON to define clearly who its stakeholders are. AEGON's view is that any individual or group of individuals who are affected by the company's operations, or who, in turn, affect the social, economic or environmental climate in which AEGON operates, should be considered a stakeholder of the company. AEGON's approach is to engage with all stakeholder groups as actively as possible and to take their interests into account when making decisions. For ease of reporting, AEGON divides its stakeholders into five main groups:

Stakeholder group	'Direct relationship'	'Indirect relationship'
<b>Customers</b>	<ul style="list-style-type: none"> <li>Policyholders, savers and other individual investors</li> <li>Pensioners</li> <li>Companies and multinational corporations</li> <li>Other institutional clients</li> <li>Potential customers</li> </ul>	<ul style="list-style-type: none"> <li>Consumer associations</li> <li>Single issue groups</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Full-time employees</li> <li>Part-time employees</li> <li>Tied agents</li> <li>Former employees and potential new employees</li> </ul>	<ul style="list-style-type: none"> <li>Trade unions and other employee representative bodies</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>Joint venture partners</li> <li>Banks</li> <li>Financial advisors, brokers, agents and other intermediaries and distributors</li> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Industry associations and forums</li> </ul>
<b>Wider community</b>	<ul style="list-style-type: none"> <li>Charitable organizations</li> <li>Non-governmental and humanitarian organizations</li> <li>Individuals and organizations sponsored by AEGON</li> <li>Governments, and insurance and financial industry regulators</li> </ul>	<ul style="list-style-type: none"> <li>International and governmental bodies and associations</li> <li>Organizations issuing rules and guidelines implemented by AEGON</li> <li>Sustainability rating agencies</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Retail shareholders and bondholders</li> <li>Institutional investors</li> <li>Financial analysts</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder and other investor representative groups</li> <li>Financial rating agencies</li> </ul>

AEGON realizes that the interests of various stakeholder groups may not always coincide, and that this may give rise to dilemmas for the company. In such situations, AEGON endeavors to assess the potential impact on individual stakeholders and stakeholder groups before reaching its decisions, guided by its business principles.

## MATERIAL ISSUES

AEGON uses engagement with its stakeholders to decide which issues are material to the company's businesses, performance and strategy. These issues have been plotted on the 'heat map' below according to a qualitative assessment of their significance both to AEGON and to the company's stakeholders. AEGON uses this heat map to help determine the content of its annual Sustainability Report. Results from the company's annual Stakeholder Review are also included in this analysis.



Note on methodology: This 'heat map' is based on information available internally and interviews conducted as part of AEGON's annual Stakeholder Review between September 2010 and January 2011. Issues are plotted on a scale of 1 to 4 according to their importance both to AEGON and to its main stakeholder groups (1 being the least important, 4 the most). For further details on AEGON's Stakeholder Review, please see below. This is AEGON's first heat map; AEGON's intention is to renew the heat map every year. Findings will be published in the company's annual Sustainability Report.

## STAKEHOLDER REVIEW

AEGON held its third annual Stakeholder Review in 2010. The purpose of this review was to give the company's stakeholders an opportunity to assess the content and relevance of AEGON's 2009 Sustainability Report.

The objectives of the review are:

- To involve stakeholders more closely in AEGON's sustainability reporting process.
- To strengthen external assurance with regard to the annual Sustainability Report.
- To improve the overall quality of the company's sustainability reporting.
- To ensure that AEGON's sustainability reporting and initiatives remain relevant to the company's stakeholders.

As part of the 2010 review, AEGON interviewed twelve stakeholders or stakeholder groups, including investors and non-governmental organizations as well as representatives of customers, employees and the financial sector. The interviews were conducted between September 2010 and January 2011 by AEGON's sustainability consultants Steward Redqueen. AEGON assessed all recommendations by those stakeholders surveyed and, where possible, has incorporated them into the reporting process.

Stakeholder recommendation	AEGON's response
<ul style="list-style-type: none"> <li>Address what AEGON wants to achieve with this report.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON has included a message from the company's global Head of Sustainability, which specifically addresses our objectives for this report. Please see <a href="#">page 11</a> to read the message.</li> </ul>
<ul style="list-style-type: none"> <li>Make the report more concise and attractive.</li> </ul>	<ul style="list-style-type: none"> <li>Alongside this Sustainability Report, AEGON has decided to publish a shorter version as both a summary and as part of its 2010 Annual Review. This shorter version is available as a separate document at <a href="http://www.aegoncorporatereporting.com">www.aegoncorporatereporting.com</a>.</li> </ul>
<ul style="list-style-type: none"> <li>Integrated reporting is an interesting option and a necessity in the future*.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON is closely monitoring developments with regard to integrated reporting. In principle, the company is in favor, though a practical framework for integrated reporting has still to be developed.</li> </ul>
<ul style="list-style-type: none"> <li>Include a clear overview with concrete and challenging objectives and a timeline.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON has included an overview of the company's sustainability objectives by stakeholder group in this report. For more information, please see <a href="#">pages 2-4</a>.</li> </ul>
<ul style="list-style-type: none"> <li>AEGON has been promising a company-wide investment policy for some time and should act quickly to implement one.</li> </ul>	<ul style="list-style-type: none"> <li>In January 2011, AEGON signed up to the United Nations Principles for Responsible Investment. This is a first step towards a more integrated, company-wide approach to this issue. Responsible investment is, however, a complex area and work on this approach has taken longer than AEGON initially expected. For more details, please see <a href="#">page 85</a>.</li> </ul>

\* A specific question on integrated reporting was included in the review.

## Other remarks

Positive	Negative
<ul style="list-style-type: none"> <li>Report is comprehensive and contains a lot of useful information.</li> </ul>	<ul style="list-style-type: none"> <li>Report should be more ambitious.</li> </ul>
<ul style="list-style-type: none"> <li>Structure of the report is clear and well written.</li> </ul>	<ul style="list-style-type: none"> <li>Purpose of the report or what AEGON wishes to achieve with the report is not clear.</li> </ul>
<ul style="list-style-type: none"> <li>AEGON has done more to include specific targets.</li> </ul>	<ul style="list-style-type: none"> <li>Length of the report makes it inaccessible to many readers.</li> </ul>
<ul style="list-style-type: none"> <li>Dilemmas are addressed and case studies included.</li> </ul>	<ul style="list-style-type: none"> <li>Targets are not always connected to AEGON's business and are sometimes unclear about the time frame.</li> </ul>
<ul style="list-style-type: none"> <li>Report is in line with stakeholders' perceptions of AEGON.</li> </ul>	

In addition to the annual review, AEGON interacted with various stakeholder groups at a local level during 2010. These groups included customer organizations, employee representatives, communities and regulators:

	AEGON Corporate Center	United States	The Netherlands	United Kingdom	Central & Eastern Europe	China	Canada	Spain
Customer organizations		■	■	■	■	■	■	
Shareholder advocacy groups	■	■		■				
Unions or employee representative organizations	■	■	■	■	■	■		■
Regulators	■	■	■	■	■	■	■	■
Governments	■	■	■	■	■		■	
Local communities	■	■	■		■			
Environmental groups			■					
Human Rights or other non-governmental organizations	■		■		■			

## OUR BUSINESS PRINCIPLES

In its approach to sustainability, AEGON places importance on local knowledge and local decision-making. Consequently country and business units are encouraged to focus on issues specific to their local situations, within a global framework.

AEGON sets out a number of basic Business Principles that apply to all its units. The aim of this approach is to ensure that these common principles become an integral part of AEGON's business activities, wherever those activities are located. These principles are also contained in AEGON's Code of Conduct, which applies to all AEGON employees.

- AEGON endeavors to provide **products and services** that are transparent and easy to understand, helping customers secure their long-term financial futures.
- AEGON acts as a **responsible employer**, providing the conditions, incentives and formal training its employees require for personal success.
- AEGON takes measures to help reduce the impact of its business operations on the **environment**, seeking to limit energy use and curb unnecessary waste.
- AEGON recognizes its position as a leading **institutional investor** and strives to ensure that its investment decisions take into account not only the need for profit but also the interests of all legitimate stakeholders and the wider communities in which the company operates.
- AEGON endeavors always to provide clear, accurate, timely and transparent **information** so that investors, customers and other stakeholders can make the right financial decisions for themselves and their families.

[Read AEGON's Business Principles in full.](#)

## SUSTAINABILITY GOVERNANCE

Each of AEGON's country and business units has assigned responsibility for sustainability to a senior manager. These managers oversee the following:

- Implementation of local sustainability policies and initiatives.
- Development of local sustainability policies.
- Collation of all relevant data on sustainability issues.
- Reporting of all progress to AEGON's sustainability team, based at the company's Corporate Center offices in The Hague, the Netherlands.

In many country or business units, individual managers oversee sustainability activities alongside other professional responsibilities. These activities are therefore reflected in the overall assessment of the sustainability manager's job performance.

AEGON's sustainability team is headed by Marc van Weede, who was appointed global Head of Sustainability in October 2010. Mr. Van Weede reports to Alex Wynaendts, AEGON's CEO, and to Marco Keim, the member of AEGON's Management Board responsible for sustainability issues. Questions of strategy and policy are subject to approval by AEGON's Executive and Management Boards.



During 2010, members of AEGON's Executive and Management Boards discussed a number of sustainability initiatives and policies, including:

- AEGON's new approach to community investment and charitable donations.
- The company's membership of the Dow Jones Sustainability Index.
- Overall sustainability strategy, particularly with regard to the strengths and weaknesses of current performance.
- Efforts to improve customer loyalty and company-wide measurement of employee engagement and satisfaction.

During 2010, AEGON's Supervisory Board discussed sustainability strategy and performance, as well as a number of initiatives currently underway. As part of these discussions, Mr. Van Weede made a detailed presentation to the Board outlining AEGON's current position in these areas.

In November 2010, AEGON organized a one-day roundtable meeting of executives involved in sustainability to discuss further developments in the company's strategy. Attending the meeting were members of AEGON's Sustainability team and executives from the country's businesses in the United States, the Netherlands and the United Kingdom.



## DILEMMAS: RESTRUCTURING AEGON'S UK BUSINESSES

In making business decisions, AEGON takes into account the interests of its various stakeholders. Such interests, of course, do not always coincide, and this may give rise to dilemmas for the company. In 2010, AEGON decided to restructure its businesses in the United Kingdom. This decision had an impact on a number of the company's stakeholders, including customers and employees, as well as local suppliers and businesses. In reaching its decision, AEGON examined the following three options and their possible effect on both the company and its stakeholders:

1. To sell its operations in the United Kingdom.
2. To close operations to new business and place them in run-off.
3. To restructure operations to reduce costs, increase returns and further improve efficiency.

### Background

AEGON is one of the United Kingdom's leading providers of life insurance, pensions and investments, serving approximately two million customers and employing more than 4,000 people, mainly at its head office in Edinburgh. AEGON's history in the United Kingdom stretches back to the first half of the nineteenth century. In recent years, AEGON has seen steady growth in new life sales from its UK businesses, but this growth has not been reflected in the company's earnings. In particular, AEGON has been concerned about returns on capital from its businesses in the United Kingdom, as well as cash flows and profitability. At the same time AEGON, like other providers, is having to adapt to a rapidly changing market environment in the United Kingdom – largely the result of lower equity prices and significant changes to legislation and customer behavior.

Options	Advantages	Disadvantages
<b>Option 1: Sell UK operations</b>	<ul style="list-style-type: none"> <li>■ Sale would generate significant proceeds for the company.</li> <li>■ Depending on the terms, sale would secure jobs for a number of employees.</li> <li>■ Retaining jobs would minimize impact on local suppliers and the local economy.</li> </ul>	<ul style="list-style-type: none"> <li>■ A sale could only be achieved at a significant discount to embedded value in the United Kingdom<sup>1</sup>.</li> <li>■ Sale could create uncertainty for employees, particularly as part of a merger with a competitor.</li> <li>■ Increased uncertainty for many customers, suppliers and local businesses.</li> </ul>
<b>Option 2: Close operations to new business</b>	<ul style="list-style-type: none"> <li>■ Placing the UK business in run-off would eliminate new acquisition costs.</li> </ul>	<ul style="list-style-type: none"> <li>■ Likely to result in an increase in lapses, which destroys value for shareholders and the UK franchise.</li> <li>■ Run-off would preserve a number of jobs for a limited period of time, but would ultimately result in considerable redundancies.</li> <li>■ Increased uncertainty for customers, suppliers and local businesses, many of whom would turn to other providers.</li> </ul>
<b>Option 3: Restructure operations</b>	<ul style="list-style-type: none"> <li>■ Place business on a sounder financial footing.</li> <li>■ Refocus business on key growth opportunities in the At Retirement and Workplace Savings markets.</li> <li>■ Reduce costs, increase returns and further improve efficiency, cash flows and profitability.</li> <li>■ Safeguard jobs for a majority of current employees.</li> </ul>	<ul style="list-style-type: none"> <li>■ Loss of significant number of jobs as part of cost-cutting measures.</li> <li>■ Some business units closed or sold off, with impact on local suppliers and businesses.</li> <li>■ Loss of jobs will affect local economy in some areas, particularly Edinburgh.</li> </ul>

<sup>1</sup> A measure of the company's underlying value, widely used by financial analysts and in the insurance industry.

### AEGON's decision

AEGON announced a restructuring of its UK operations in June 2010. This restructuring will involve a series of different measures:

- Reduction in costs at AEGON's UK life insurance and pension businesses of 25% by the end of 2011.
- Refocus the business on growth opportunities in the At Retirement and Workplace Savings markets, where AEGON already has leading positions.
- Further steps to increase returns and improve efficiency.
- Withdrawal from the UK bulk annuities market (complete).
- Sale of AEGON's third party pension administration business (sale agreed).
- Closure of employee benefits business (complete).
- Sale of healthcare division belonging to UK subsidiary Origen (sale agreed).

In addition, AEGON took specific measures to limit the number of compulsory redundancies as a result of the restructuring, and to help those who lost their jobs find alternative employment, either within the company or outside. For further information, please see [page 71](#).

An important part of AEGON's restructuring in the United Kingdom will be to focus the company on opportunities in two markets: At Retirement and Workplace Savings. Both markets show strong potential for growth in the years ahead.

**At Retirement** - With life expectancy rising, people are spending longer than ever in retirement and need financial products that will help them manage their assets after they stop work. AEGON estimates that retirement funds worth approximately GBP 16 billion mature each year in the United Kingdom.

**Workplace Savings** - An increasing number of people are turning to saving plans sponsored by their employers to help them save for retirement. The UK Workplace Savings market is currently worth more than GBP 800 billion, and is growing rapidly.

## OUR CUSTOMERS

AEGON serves approximately 40 million customers worldwide. More than 88% of these customers are located in one or other of the company's main markets - the United States, the Netherlands or the United Kingdom. AEGON also serves a growing number of customers in new markets in Central & Eastern Europe, Asia and Latin America, as well as in Spain and France. Many AEGON companies sell their products and services via distribution channels, including agents, brokers, banks, financial advisors and other intermediaries.

Recent years have brought significant changes to customer behavior, in some cases accelerated by the financial crisis which began in 2008:

- Customers have become more aware of risk and are demanding greater financial guarantees.
- Distribution patterns in many markets are changing, particularly given the increasing importance of online channels and social media networks.
- Customers are demanding simpler, more transparent products and services.
- In many countries, trust in financial sector companies, especially banks and insurers, has decreased significantly.

Over the past two years, AEGON has taken steps to address these issues and to further improve customer loyalty by:

- Strengthening communications.
- Introducing new products and modifying existing ones to ensure they keep pace with changing customer requirements.
- Supporting financial education initiatives.
- Ensuring products are effective and easy to understand.

AEGON operates a practice of 'Know Your Customer' or conducts regular reviews to ensure customers get the right financial advice and are offered products tailored to their individual requirements. The practice also enables AEGON to detect errors and anomalies more quickly, and helps in the fight against fraud and money laundering.

### Customers: Our basic principles

- We treat our customers fairly.
- We provide clear, transparent and financially sound products and services that meet our customers' evolving long-term needs.
- We seek to build long-term relationships with our customers.
- We strive to provide customers with the information they need to make the right decisions for themselves and their families.
- We also support financial education initiatives and strive to promote a better understanding of the financial services industry.
- We strive to deal with business partners who share our core values.
- We are committed to fair competition.
- We recognize the importance of confidentiality and take measures to keep confidential personal information relating to our customers, employees, business partners and shareholders.

## AEGON's product range

AEGON provides a range of products and services to individuals, families, companies and institutions.

These products and services fall mainly into one of the following three categories:

- Life insurance
- Pensions
- Asset management

In some countries, AEGON supplies other products, including general insurance and banking services, to meet specific customer requirements:

<b>Americas</b>	Includes AEGON's business and operating units in the United States, Canada, Mexico and Brazil.
<b>Life and protection</b>	<ul style="list-style-type: none"> <li>■ Products to protect against mortality, morbidity and longevity risks, including traditional and universal life, as well as endowment, term and whole life insurance products.</li> <li>■ Accident and health business, including accidental death and dismemberment insurance, critical illness, cancer treatment, disability, income protection and long-term care insurance.</li> </ul>
<b>Individual savings and retirement products</b>	<ul style="list-style-type: none"> <li>■ Primarily fixed and variable annuity products and retail mutual funds.</li> </ul>
<b>Employer solutions and pensions</b>	<ul style="list-style-type: none"> <li>■ Includes both individual and group pensions, as well as 401 (k) plans and similar products usually sponsored by, or obtained via, an employer.</li> </ul>
<b>Life reinsurance</b>	<ul style="list-style-type: none"> <li>■ Includes business written by AEGON's subsidiary, Transamerica Reinsurance.</li> <li>■ AEGON is exploring strategic options in this area, including a possible divestment of Transamerica Reinsurance.</li> </ul>
<b>The Netherlands</b>	
<b>Life and savings</b>	<ul style="list-style-type: none"> <li>■ Products to protect against mortality, morbidity and longevity risks, including traditional and universal life, as well as endowment, term, whole life insurance products and annuity products. In addition, AEGON Bank provides mortgages, savings and other investment products.</li> </ul>
<b>Pensions</b>	<ul style="list-style-type: none"> <li>■ Individual and group pensions, usually sponsored by, or obtained via, an employer.</li> </ul>
<b>Non-life insurance</b>	<ul style="list-style-type: none"> <li>■ General insurance, including mainly automotive, liability and household insurance and fire protection.</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>■ Commissions earned by AEGON's Unirobe-Meeûs distribution business.</li> </ul>

<b>United Kingdom</b>	
<b>Life</b>	<ul style="list-style-type: none"> <li>■ Term insurance and annuity products.</li> <li>■ Accident and health care products, such as accidental death and dismemberment cover, critical illness, cancer treatment, disability, income protection and long-term care insurance.</li> </ul>
<b>Pensions</b>	<ul style="list-style-type: none"> <li>■ Both individual and group pensions, usually sponsored by, or obtained via, an employer.</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>■ Commissions earned by AEGON's distribution businesses, Origen and Positive Solutions.</li> </ul>
<b>New Markets</b>	
	Includes all business and operating units in Central & Eastern Europe, Asia, Spain and France, as well as AEGON's variable annuity activities in Europe and AEGON Asset Management.
<b>Central &amp; Eastern Europe</b>	<ul style="list-style-type: none"> <li>■ Active in six countries: Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey.</li> <li>■ Includes life insurance, individual and group pension products, savings and investments, as well as general insurance.</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>■ Joint ventures in China, India and Japan.</li> <li>■ Products include life insurance in China and India, and variable annuities in Japan.</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>■ Distribution partnerships with leading Spanish savings banks.</li> <li>■ Products include life insurance and investments.</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>■ Partnership with French insurer and pension specialist AG2R La Mondiale.</li> </ul>
<b>Variable Annuities Europe</b>	<ul style="list-style-type: none"> <li>■ Variable annuities offered by AEGON operating companies in Europe.</li> </ul>
<b>AEGON Asset Management</b>	<ul style="list-style-type: none"> <li>■ Asset management products, including both fixed income and equity, covering third party clients and AEGON's own insurance companies.</li> </ul>

## CLEARER PRODUCTS

AEGON is committed to providing financial products and services that are clear, transparent and as easy to understand as possible. This principle is contained in AEGON's Code of Conduct. AEGON companies are expected to comply with national legislation in this area, as well as other voluntary industry standards. In addition, AEGON takes initiatives at a country and operating unit level to ensure the continued transparency of its financial products, especially important at a time of economic uncertainty.

In all its markets, AEGON operates rigorous **approval processes** for its products and services. AEGON Americas has a system of 'due diligence/ scrub' teams, which examine possible risks and benefits of each product, based on the 'Would I sell this to my mother?' concept. In the United Kingdom, AEGON has a dedicated product development group, while in the Netherlands AEGON has recently adopted a new product approval process in line with changes to the Dutch Banking Code and the principles of the Dutch Insurers' Association.

Customers are increasingly using the internet to research and buy financial services. AEGON believes the internet can help improve accessibility and provide clear, straightforward information on the company's products and services. Providing **financial services online** can also help reduce transaction costs, and cut down on the need for business travel and printed materials. Most AEGON country and business units provide online services of one sort or another. These services include:

- Information on financial products
- Online application forms
- Purchasing certain products and services
- Modifying personal data
- Accessing quotes
- Online calculation tools

In addition, most AEGON companies operate IT fraud and detection systems, and all units use feedback loops to compliance officers to ensure the company's online platforms remain safe and secure at all times.

#### Doing well... but could always do better

A recent poll in the Netherlands placed AEGON second among insurance companies for the quality of information provided to its pension customers. Zwitserleven was rated best. Overall, however, the industry still has a long way to go: the survey - carried out by Montae Pensioen and GfK - found that 70% of Dutch employees had no idea what contributions they made each month to their pension funds, and most could not say what type of pension plan they had.

Source: Montae Pensioen, GfK, Onderzoek Pensioen in Nederland, Jan. - Aug. 2010. The survey found that 26% of AEGON customers did not know what type of pension they had, compared with 10% for Zwitserleven, 28% for Nationale Nederlanden and 29% for Delta Lloyd.

## LOW INCOME PRODUCTS

Like many other insurance companies, AEGON has contractual measures in place to help those customers who find themselves on low incomes and, often through no fault of their own, are unable to maintain premium payments. These measures include introducing lower premium payments, grace periods, contribution breaks and loans or, in some cases, reducing the coverage offered by a particular policy. In the United States, for example, state regulators require grace periods be extended for those affected by natural disasters, such as hurricanes and floods.

A number of AEGON companies also offer products and services aimed specifically at customers on low incomes:

- In the United States, Transamerica Life and Protection caters for a significant number of low income customers. Approximately one third earn less than USD 25,000 a year. In addition to life, accident and health products, the company also provides affordable membership products, which save money on basic necessities. In 2010, for example, the PlanPlus product saved policyholders almost USD 4.6 million on prescription drugs, while programs such as Fun Family Select and Perfect Home Rewards provided members with USD 1.3 million in rebates on various essential household items.
- In Poland, AEGON has a range of products aimed at lower income groups, including:
  - A low-cost endowment product, a savings protection program and a guaranteed pension plan, each with monthly premiums of just PLN 100, approximately EUR 25.
  - Low-cost accident and health insurance, with monthly premiums as low as PLN 5.50 - equivalent to just EUR 1.40.
- In India, AEGON sells at least 7% of its policies in rural areas or to socially disadvantaged groups in line with the company's obligations under the country's insurance sector regulations.
- In Hungary, AEGON offers funeral insurance at just EUR 10 a month and has low-price accidental death coverage.
- In Spain, customers on low incomes are offered a savings product with premiums of just EUR 30 a month.

## IMPROVING PRODUCTS

AEGON regularly reviews products marketed and developed in former years and, if necessary, will modify product specifications as well as processes and distribution. Many of these modifications are based on customer feedback. In 2010, AEGON took significant measures to improve the quality and transparency of its products and its customer service:

### United States

- Transamerica Life and Protection launched TransSecurity, a product aimed at intermediaries looking to help customers increase their long-term financial security.
- Transamerica Capital Management made improvements to its call center set-up, established a special client relationship team to handle issues relating to the Merrill Lynch business acquired in 2008, and moved to a single account manager approach for new customers. Actions were taken in response to difficulties with the transition of the Merrill Lynch business, and have resulted in a significant overall improvement in customer service.
- Transamerica Asset Management Group amended its service forms and applications, and created new ones, following feedback from shareholders and financial advisors.
- Transamerica Life and Protection provided additional coaching to customer sales and service representatives, and also strengthened handling procedures, leading to fewer repeat calls from customers.
- In 2010, AEGON's Long-term Care unit reviewed its policies, simplifying the wording and improving company practices.
- Transamerica Worksite Marketing launched the new Livestrong SurvivorPlan policies, which offer insurance protection for cancer sufferers. Policyholders also have access to the Lance Armstrong Foundation, which provides support and advice for cancer patients. Transamerica Worksite Marketing also improved and sped up the claims process for its wellness customers.
- Transamerica Retirement Services introduced a new plan management program to improve the flow of information to employers, financial advisors and third party administrators.

### The Netherlands

- AEGON started a new program in the Netherlands to improve customer communications called 'Echt Contact' - Real Contact. The program is designed to produce a more efficient and open dialogue with customers.
- TKP, AEGON's Dutch pension business, took measures to improve information to customers and launched an online 'pension planner'.
- Improvements were made to AEGON's website following suggestions by customers. These included a special 'feedback button' and the introduction of online health submissions.
- AEGON launched a team dedicated to helping families and heirs of deceased customers sort through personal finances and legacy issues.
- AEGON announced a new product, AEGON Settlement Package Saving, in December 2010. The product is a savings account in which the settlement amount may be used later to complement income or pension payments.

### United Kingdom

- In the United Kingdom, AEGON introduced an easier claims process to help customers with serious illnesses. The new process allows these customers to submit claims by telephone.
- AEGON also launched AEGON Secure Lifetime Income, a product that offers policyholders a steady income during retirement. The product pays a guaranteed 5% of policyholders' initial investment over 20 years.
- AEGON signed up to the Customer Impact Scheme, a voluntary initiative overseen by the Association of British Insurers. Under this initiative, AEGON publishes a regular report on measures taken to improve customer service.

Canada	<ul style="list-style-type: none"> <li>■ AEGON added a new feature to its Prosperity Universal Life product in Canada, preventing the product from automatically lapsing because of a single missing monthly premium.</li> <li>■ AEGON launched LifeScripter, a simple-to-use online tool that helps customers plan their finances and encourages them to save for retirement.</li> <li>■ AEGON added new 'fact pages' and 'key facts' documents to the literature for its segregated funds in line with new standards for the use of plain language.</li> </ul>
China	<ul style="list-style-type: none"> <li>■ AEGON-CNOOC launched its single premium life plan, designed for customers focusing on both asset protection and saving. The plan offers minimum guaranteed returns and provides additional accidental medical protection.</li> <li>■ A PAR Endowment with living benefit was also introduced during the year.</li> </ul>
Hungary	<ul style="list-style-type: none"> <li>■ For each of its insurance companies in Hungary, AEGON has appointed a manager responsible for ensuring the fair treatment of customers.</li> </ul>
Poland	<ul style="list-style-type: none"> <li>■ AEGON introduced measures to further improve the transparency of its products and services in Poland, including welcome calls for new customers, electronic application forms, online statements and reduced documentation for claims.</li> </ul>
Spain	<ul style="list-style-type: none"> <li>■ In Spain, AEGON developed a comprehensive manual for sales managers at bank branches, explaining the company's products and services. AEGON also provided a pension simulation program to help tailor advice to individual customers. The vast majority of AEGON products in Spain are sold via partnerships with regional savings banks.</li> <li>■ AEGON also launched a savings product family, CuentAEgon, including a version for children called CuentAEgon Junior. The products offer convenience, flexibility, security and tax benefits.</li> </ul>
Turkey	<ul style="list-style-type: none"> <li>■ AEGON updated its website in Turkey to provide more information to customers about the company's products and services. Product documentation was also revised and improved.</li> <li>■ AEGON also introduced a special financial planning analysis program to help customers make the right decisions with regard to investments and savings.</li> </ul>

## CUSTOMER LOYALTY

AEGON's approach to customer loyalty is based on one overriding objective: to ensure the company sells the right products to the right people. This means providing products that are as clear and easy to understand as possible. It also means helping improve levels of financial education, so that customers have the information they need to make long-term choices for themselves and their families. AEGON understands that improving customer loyalty is not only a matter of complying with regulations. It is also key to the future growth of the company, and to maintaining a sustainable, customer-led business.

Many AEGON country and business units regularly measure and monitor the satisfaction of customers and, where relevant, intermediaries and financial advisors. In the United Kingdom, for example, AEGON tracks customer satisfaction through a regular quarterly survey of end-customers, as well as separate surveys of intermediaries, employers and trustees. In the Netherlands, AEGON carried out an in-depth survey of its life insurance customers in 2010 following problems in recent years with certain unit-linked products. The survey was part of broader efforts to address complaints in this area and further strengthen customers' trust in the company. In the United States, gauging loyalty and satisfaction varies by business unit, but includes surveys of both end-customers and distribution partners, as well as regular meetings with corporate clients. Overall, customer satisfaction levels at AEGON's operating units declined by 9% in 2010. This figure excludes the United States, where AEGON's operating companies measure customer satisfaction separately. Country units were asked to indicate overall 2010 customer satisfaction levels on a scale of 0 to 100. The average of these scores, weighted by revenue, was 72, down from 79 in 2009.



Over the next two years, AEGON plans to further extend its customer and loyalty programs. By the end of 2011, AEGON intends to have systems in place to measure customer satisfaction in all of its major country and business units. At the same time, AEGON is introducing the “Net Promotor Score” in many business units as the company’s preferred measurement of customer loyalty. Net Promotor Score is based on identifying customers who would recommend products and services to friends and family. Net Promotor Score is already in use at AEGON’s businesses in the Netherlands, the United Kingdom and India. A pilot project has also been carried out at one of the company’s units in the United States.

## FINANCIAL LITERACY

AEGON believes it has an important role to play in ensuring customers have the information they need to make the right long-term financial decisions for themselves and their families, and that they understand that information. In each of the company’s three main markets, AEGON initiates and supports various programs aimed at improving overall levels of financial literacy in its local communities:

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- United States**
- In the United States, AEGON supports LIFE – the Life and Health Insurance Foundation for Education, a non-profit organization that instructs people on the importance of life insurance and sound financial planning. Every September, AEGON also supports Life Insurance Awareness month, which is accompanied by an advertising and sales campaign across the country.
  - Transamerica’s Center for Retirement Studies is a non-profit organization dedicated to raising awareness in the United States of pension issues and trends. In 2010, the Center launched a campaign to raise public awareness about the Saver’s Credit, a tax credit to help low and middle income workers save for retirement.
  - The AEGON Transamerica Foundation supports the Junior Achievement program, which teaches financial and economic skills to more than 37,000 schoolchildren in eastern Iowa. In Florida, employees also support the Finance Park initiative, aimed at teaching children the value of financial planning.
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- The Netherlands**
- AEGON has helped develop the ‘money suitcase’, containing teaching materials for elementary schools in the Netherlands and strengthening awareness of the need for long-term saving.
  - AEGON’s CEO in the Netherlands, Marco Keim, has backed calls for the inclusion of financial education in the formal curriculum of secondary schools in the Netherlands.
  - Through local schools, employees in the Netherlands regularly provide courses for parents on the importance of financial education and of explaining financial matters to their children.
  - AEGON employees gave up their time to take part, along with students, in special Q&A sessions for members of the public wanting to know more about pensions and long-term financial planning.
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- United Kingdom**
- Over the past three years, AEGON has given its backing to the UK government’s National Strategy for Financial Capability, aimed at improving levels of financial education in the country.
  - Recommendations from a special government committee on financial advice, chaired by AEGON’s CEO in the United Kingdom, Otto Thoresen<sup>1</sup>, led to the creation of the Consumer Financial Education Body (CFEB) in April 2010.
  - AEGON has developed tools and other programs to teach schoolchildren about financial planning and saving for retirement.
  - AEGON helps a non-profit organization, the Citizens’ Advice Bureau, to make professional independent financial advisors available for its indebted and less well-off clients.
  - AEGON has worked with the Financial Services Authority and the CFEB, supporting seminars and trial distribution of educational material.
  - Senior AEGON executives in the United Kingdom serve on the boards of charities and non-profit organizations, such as the Personal Financial Education Group and IFA Promotion, which helps put people in touch with local independent financial advisors.
  - AEGON has developed new software called mymoneypal, which makes managing household finances simpler and more effective.
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<sup>1</sup> Please note that Otto Thoresen resigned his position as CEO of AEGON UK on April 1, 2011. Mr. Thoresen is taking up a new position as Director General of the Association of British Insurers.

In addition to these programs, AEGON organizes regular seminars and training sessions for account managers, intermediaries and brokers in Europe, North America and Asia to improve their understanding of the company's products and the quality of financial advice they are able to give potential customers. In many countries, intermediaries are also required to follow a code of conduct, or specific behavior guidelines, often governed by a contract to ensure compliance.

#### Providing impartial financial advice in the UK

For the past several years, AEGON has given its backing to the UK government's National Strategy for Financial Capability. The company's CEO in the United Kingdom, Otto Thoresen, chaired a special committee on financial advice, and it was this committee's recommendations that led to the creation of the Consumer Financial Education Body (CFEB), an independent organization dedicated to providing free, impartial advice to people across the United Kingdom. The need for such advice is clear: as in many other countries, people in the United Kingdom are living longer, healthier lives – and that means they are taking more responsibility for saving for retirement and for managing their resources once they have stopped work. At the same time, personal debt has been rising and now stands at close GBP 1.5 trillion, equivalent to just over GBP 24,000 for every individual in the country. Debt brings not only financial headaches, but also health worries and often psychological problems. Launched in 2010, the CFEB's mission is to help people understand financial services and manage their finances better. The CFEB's work already reaches more than ten million people in the United Kingdom.

## CUSTOMER COMPLAINTS

Dealing with **complaints** efficiently and openly is an important part of ensuring overall customer satisfaction. All AEGON country units have formal procedures in place for handling complaints. AEGON regularly conducts surveys to identify specific areas where the company is not meeting customer requirements. These surveys play a significant role in helping AEGON improve the quality of its products and services. Most AEGON companies have a separate department dedicated to dealing with customer complaints.

In 2010, the number of complaints received, both written and verbal, totaled 53,470 – equivalent to just 0.1% of the company's total policyholders worldwide and an improvement of almost 18% from the year before. This improvement was due to a decline in complaints from the Netherlands.

During 2010, AEGON received a number of complaints regarding the alleged **mis-selling** of its products and services, including some relating to legacy products in the United Kingdom. Where justified, the company took steps to address these complaints as quickly and efficiently as possible. In some cases, action was taken against the salesmen, agents or brokers involved. In others, measures were adopted to strengthen the sales process or modify existing products and services. During 2010, AEGON paid no significant fines to redress cases of mis-selling.

During 2010, AEGON paid a fine of GBP 2.8 million imposed by UK regulators for “poor administrative procedures”, which had led to a number of problems for customers, including:

- Failure to issue policyholder documents.
- Incorrect calculation of pension payments.
- Failure to trace an estimated 200,000 policyholders, who had moved to new addresses.

AEGON is paying out compensation to those customers who experienced difficulties. The company expects this compensation to amount to approximately GBP 60 million, half of which was paid before the end of 2010.

## ABSENT POLICYHOLDERS

Every year, a number of policyholders fail to receive their entitlements, often because their contact information has not been updated. AEGON is committed to tracing all legitimate beneficiaries. In the United States, the Netherlands and the United Kingdom, the company's three main markets, AEGON takes the following steps to ensure that benefits and entitlements due to these customers remain accessible for as long as possible:

<b>United States</b>	■ All benefits remain in policyholders' accounts and are not added to the company's income.
<b>The Netherlands</b>	■ Customers never lose their right to claim, no matter how much time elapses. After ten years, AEGON is allowed to add unclaimed amounts to its profit and loss account.
<b>United Kingdom</b>	■ Unclaimed benefits are transferred to an external fund only when absent policyholders reach the age of 75.

AEGON companies use a number of different techniques to trace absent beneficiaries. These include consulting government registers and telephone directories, online searches and placing advertisements in newspapers and other publications. Experience has shown that the value of individual policies where the beneficiary cannot be traced is generally low, less than EUR 100 a year, and that the total amount retained is a small fraction of the total benefits and claims paid annually.

In 2010, AEGON paid out a total of EUR 18.9 billion in claims and benefits, up from EUR 16.3 billion the year before.

## MARKET CONDUCT

AEGON operates within an internal framework of good market conduct practices based on the company's obligations under existing regulations and other, voluntary initiatives. AEGON believes this framework helps improve overall customer service and extend best practice across the company's businesses.

- AEGON is committed to clear, transparent products and services. This commitment is contained in the company's Code of Conduct, its core values and its business principles.
- AEGON also closely monitors developments in both industry regulations and customer expectations in the company's markets.
- AEGON's Global Compliance Charter provides formal guidelines to help the company's businesses monitor risk associated with market conduct and identify opportunities to further strengthen AEGON's approach in this area.

In many of the company's markets, AEGON follows voluntary practices and initiatives which strengthen trust in both AEGON and its products:

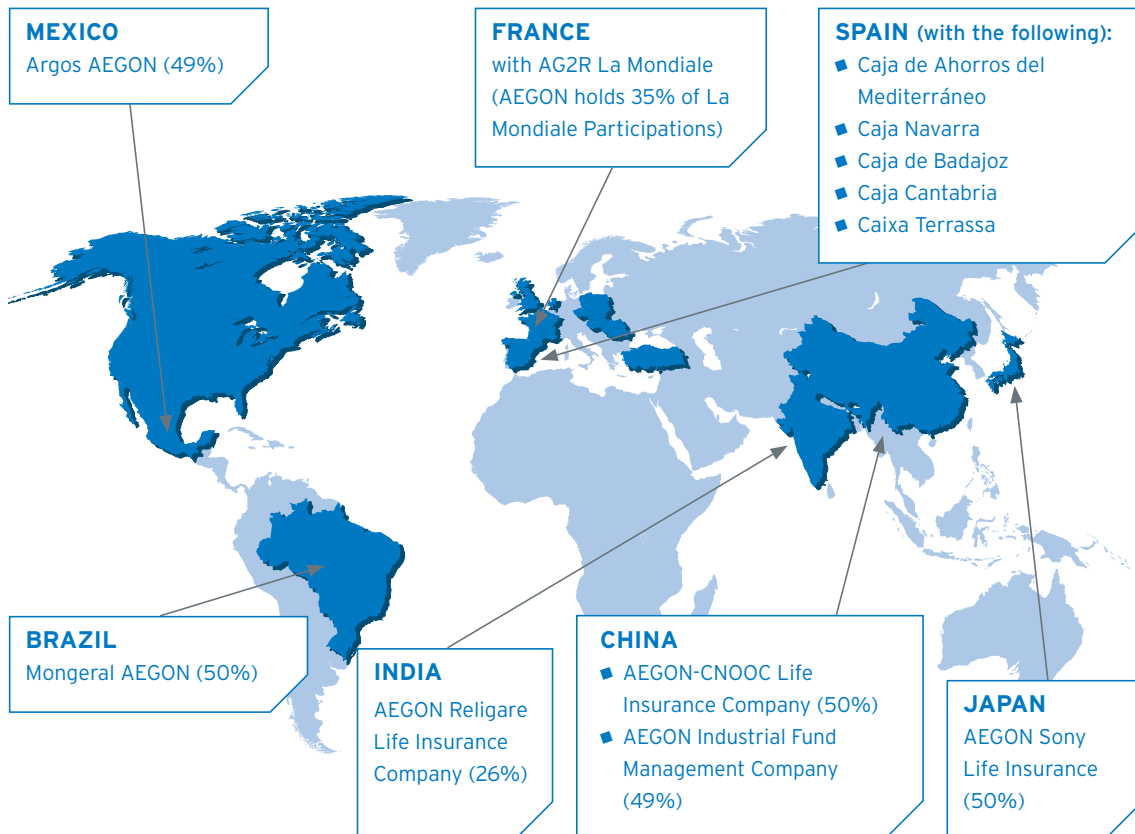
<b>United States</b>	■ AEGON has introduced a Code of Professional Conduct, based on the six principles of the Insurance Marketplace Standards Association, a voluntary organization that promoted high ethical standards in the US insurance industry before its dissolution in 2010 <sup>1</sup> .
<b>The Netherlands</b>	■ In the Netherlands, AEGON has taken significant steps to compensate customers for losses on prior unit-linked and lease products. Measures have also been taken to improve returns on existing products, in line with efforts to further strengthen customer loyalty in the Netherlands. AEGON has also developed a new product approval process in accordance with recent changes to the Dutch Banking Code and the principles of the Dutch Insurers' Association.
<b>United Kingdom</b>	■ In 2010, AEGON carried out an internal review of key performance indicators to strengthen both management decision-making and ensure effective incorporation of the UK regulator's new 'Treating Customers Fairly' program into day-to-day business.

<sup>1</sup> In 2010, the Insurance Marketplace Standards Association was replaced by the Compliance & Ethics Forum for Life Insurers.

## THE AEGON BRAND

AEGON recognizes that its brand is one of the company's most important assets. The company has two main brands: AEGON itself and Transamerica, which operates primarily in the United States and Canada. In all its markets worldwide, AEGON operates either under its own brand name, a co-branded name or, in some cases, a local brand.

### AEGON's joint ventures and associates



Despite different brands, AEGON takes an integrated approach to brand management. In recent years, the company has added 'AEGON' to a growing number of its brands. This has helped raise brand awareness in some of AEGON's key markets. It has also helped individual operating companies use AEGON's overall financial strength and credibility to enhance their local market positions.

In Central & Eastern Europe, the 'AEGON' brand is used in all of the company's six markets – the Czech Republic, Hungary, Poland, Romania, Slovakia, and Turkey. In Asia, AEGON works alongside partners Religare in India, Sony Life in Japan, and CNOOC and Industrial Securities in China. In the United States, AEGON operates under a number of different names, but the company's main brand is Transamerica. In the Netherlands, the AEGON name is widely known, while in the United Kingdom, AEGON has taken steps in recent years to increase brand awareness. As part of these steps, AEGON has moved to a single brand name in the United Kingdom. In 2010, AEGON was awarded UK 'Business Superbrand' status by independent brand specialist, Superbrands.

## BRAND STRATEGY AND GOVERNANCE

AEGON's brand is managed through a Global Brand and Customer Council, set up in 2011. Members of the Council are senior managers and executives drawn from the company's businesses worldwide. The Council reports to Marco Keim, the Management Board member responsible for brand management. The role of the Council is to advise the Management Board on brand issues, and ensure that AEGON takes an integrated and clearly defined approach to brand management. This Council replaced AEGON's previous structure in this area, and will help support overall brand management and governance:

- The Council's objective is to strengthen AEGON's brands globally, improve customer loyalty and thereby contribute to sustainable, profitable growth.
- The Council identifies possible synergies between country and business units, helping to reduce costs, increase sales and improve effectiveness.
- The Council also sets priorities for spending on brand, product, distribution, communications and customer development.

AEGON's Global Brand and Customer Council holds conference calls once a month.

In August 2010, AEGON appointed Robert Collignon as the company's Head of Brand and Customer Strategy. Mr. Collignon chairs the Brand and Customer Council, and is responsible for overall brand management and strategy, heading a dedicated team at AEGON's corporate headquarters in The Hague.

AEGON uses Global Brand Manager, an online tool that provides country and operating units easy access to guidelines and best practice. In addition, AEGON intends to develop a new brand manual during the course of 2011.

### Why brand is at the heart of everything we do

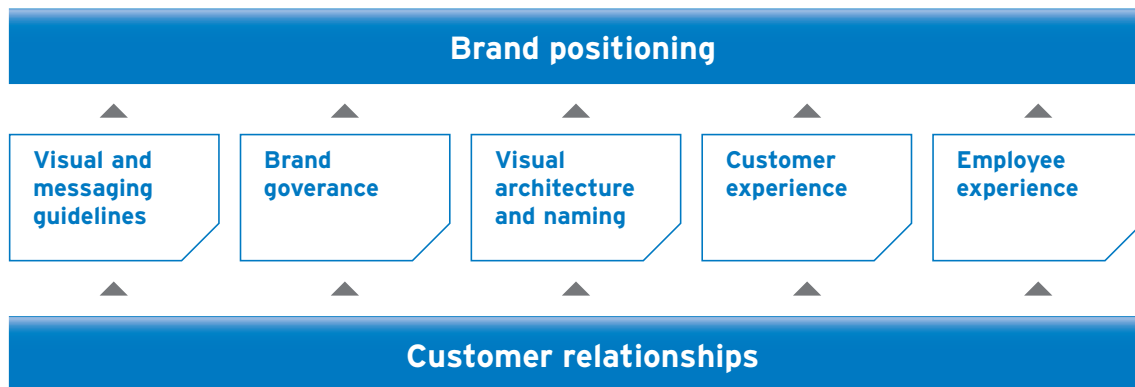
"I want to ensure AEGON makes the most of its brands. To do that, we need to know what the brand stands for, and feel good about it. Brand is about customer service - making sure you always exceed your customers' expectations. Too many companies lose the trust of their customers because they overpromise. Better to under-promise and over-deliver. But brand is also about employees. Energized and engaged employees make a difference to customers and strengthen the brand. Employees have the power to change things for the better."

- Robert Collignon, Head of Brand and Customer Strategy

AEGON regularly measures the performance of its brand and benchmarks it against those of peer companies with the objective of:

- Increasing awareness of the company's two main brands, AEGON and Transamerica.
- Protecting and enhancing the values of these brands.
- Ensuring brand becomes an integral part of AEGON's overall business strategy.
- Supporting recruitment and customer service.
- Identifying potential new businesses and areas of customer preference.

AEGON's core values and brand issues are regularly discussed by the company's Management Board.



AEGON is currently working on a project to redevelop a brand identity for the company's two key brands: AEGON and Transamerica. This brand identity will be based on three redefined brand and organizational values:

- Working together
- Bringing clarity
- Exceeding expectations

As part of this project, AEGON has carried out extensive research among employees, executives, consumers and intermediaries in eight of its main markets, including the United States, the Netherlands, the United Kingdom and Central & Eastern Europe. Findings from this research will be incorporated into the brand values project. The research focused on, among others:

- Main drivers of consumer behavior and recommendations.
- Perception of the company, the company's internal culture and the role of the brand.

As part of this project, AEGON intends to introduce company-wide measurements in 2011 to help track the performance of its main brands.

#### Win-win in Mexico and Brazil

As Latin America's economies and working populations grow, so does the demand for life insurance. In Mexico and Brazil, AEGON is using worksite marketing to reach middle-income customers who were previously uninsured. With worksite marketing, it's a win-win situation. Employees are able to pay premiums through payroll deduction, making life insurance quick and easy. Employers, meanwhile, can offer their staff insurance as an additional benefit, an advantage when it comes to recruitment. Worksite marketing is already AEGON's main distribution channel in both Mexico and Brazil – and there is every prospect worksite marketing will continue to grow in the years ahead.

## BRAND VALUE

In 2010, AEGON ranked tenth out of 27 insurance companies in Brand Finance's annual Global 500 index of leading brands, up from twelfth the previous year. Brand Finance, a global independent brand consultancy, valued the AEGON brand at EUR 4.0 billion, up from EUR 3.3 billion in 2009, in part because of improved market conditions during the year. At EUR 4.0 billion, brand represented approximately 34% of AEGON's enterprise value<sup>1</sup>.

## SPONSORSHIPS

AEGON sponsors a number of individuals and sporting organizations as part of efforts to strengthen the company's brand and name recognition in both its established and its emerging markets. In 2010, AEGON spent approximately EUR 20 million on these sponsorships<sup>2</sup>, compared with EUR 25 million the year before. AEGON uses its financial support to encourage talent and excellence in sport, culture and classical music.

In **sport**, AEGON is the lead sponsor of the Dutch club Ajax, one of the best known names in European soccer. The company also supports rowing in the Netherlands and ice skating in the Czech Republic. In 2008, AEGON became the lead sponsor of British tennis, while AEGON and its US subsidiary Transamerica support the US golfer Zach Johnson, winner of the 2007 US Masters. Included in these sponsorships are a number of activities aimed at encouraging grassroots development, including soccer clinics for disadvantaged children and a program in the United Kingdom to foster tennis in schools and local communities. In the Netherlands, AEGON won an award for its responsible handover of the national ice skating sponsorship to the telecoms group KPN. AEGON gave up the sponsorship in 2010 after 25 years with the sport, but committed time and resources to helping KPN take up its new contract with the Royal Dutch Skating Federation.

In **music**, AEGON has a partnership with Lang Lang, one of the world's most celebrated concert pianists, and a superstar in his native China.

AEGON's sponsorships also provide cross-over support for the company's corporate giving programs. In the United States, for example, AEGON and Zach Johnson are partners in Birdies That Care - a charitable program that raises funds each year for disadvantaged young people in Cedar Rapids, Iowa, where Zach was raised and AEGON has its US headquarters. Both Ajax and Lang Lang are also involved in raising money for good causes and other charitable organizations.

Ajax	Lang Lang	Tennis	Golf
<ul style="list-style-type: none"> <li>One of the best known names in European soccer.</li> <li>Enthusiastic following in the Netherlands and around the world.</li> <li>Strong track record of developing young talent.</li> <li>Long-term sponsorship running until 2015.</li> </ul>	<ul style="list-style-type: none"> <li>One of the world's most celebrated pianists.</li> <li>Also acts as AEGON ambassador and played key role in recent AEGON rebranding campaign in China.</li> <li>Very high name recognition in China and particularly strong appeal to young audiences.</li> </ul>	<ul style="list-style-type: none"> <li>Sponsorship deal with UK's Lawn Tennis Association runs until 2013.</li> <li>AEGON involved at all levels of the game from grassroots to elite players.</li> <li>Sponsorship has resulted in significant increase in AEGON brand awareness in UK.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON and Transamerica sponsor Zach Johnson in US.</li> <li>High exposure during national and international tournaments.</li> <li>AEGON also sponsors other golfers, including Taylor Leon and Kyle Stanley in US and Lloyd Saltman in UK.</li> </ul>

<sup>1</sup> Enterprise value is calculated as market capitalization + debt + minority interests + preferred equity, minus cash and equivalents.

<sup>2</sup> This figure reflects direct contributions and does not include additional communications costs.

## ■ OUR INVESTORS

AEGON has thousands of shareholders and bondholders around the world. Around 80% are located in North America, the Netherlands or the United Kingdom, AEGON's three main markets. Most of AEGON's common shares are held by institutional investors, the remainder by retail shareholders. AEGON uses its strong capital position to issue bonds and other fixed income securities.

AEGON's **largest shareholder** is Vereniging AEGON, an association which safeguards the interests of the company and its stakeholders. At the end of 2010, the Vereniging held 22.8% of AEGON's total voting capital, not including the additional voting rights on preference shares.

As AEGON's largest shareholder, the Vereniging has an important role in the company's ownership structure. The Vereniging owns all AEGON's **preference shares**, which carry additional voting rights. However, the Vereniging has agreed voluntarily to waive these rights except in certain circumstances. These circumstances may include a hostile takeover bid for all or part of the company. Including the full voting rights on preference shares, the Vereniging's voting interest totaled 32.9% at the end of 2010. For further details, please see AEGON's 2010 Annual Report, available at [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

### Investors: Our basic principles

- We provide a strong capital base to meet our long-term financial obligations.
- We make decisions that are in the interests of our stakeholders.
- We are accountable to our stakeholders for clear and transparent disclosure of our management policies, practices and results.
- We identify and manage risk prudently.
- We invest prudently and responsibly.
- We provide timely and accurate information to our customers, shareholders, employees, regulators and business partners.
- We comply with all applicable laws and regulations, and we proactively promote such compliance.
- We set clear internal guidelines and policies relating to the way we behave as a responsible company with a global reach.



## INVESTOR AND MEDIA COMMUNICATIONS

AEGON's aim is to provide information that is **clear, transparent, accurate and timely**. This is particularly important during a period of economic uncertainty. During 2010, AEGON organized a number of conferences, road shows, press briefings and other events to communicate the company's strategy and performance to investors and the financial markets. AEGON's investor relations team works closely with the company's media and communications department. AEGON has a clear and well-defined policy with regard to communications between the company and its investors. This policy, adopted in 2008, sets out rules and guidelines in accordance with the Dutch Corporate Governance Code. A copy of the policy is available at [www.aegon.com](http://www.aegon.com).

During 2010, AEGON hosted two **Analyst and Investor conferences**, one in London, the other in New York. In total, these two events attracted approximately 110 insurance sector analysts and investors. In addition, senior executives also spoke at conferences organized by, among others, Bank of America / Merrill Lynch, Citigroup, Goldman Sachs and Morgan Stanley.

Members of AEGON's **Investor Relations** team also regularly visit institutional investors to discuss strategy and performance. Institutional investors include pension funds, investment firms and other financial institutions. In 2010, AEGON held road shows in North America, Europe and Asia. In total, there were approximately 460 meetings with shareholders and other potential investors in 42 different locations worldwide.

AEGON held its annual **General Meeting of Shareholders** on April 29, 2010, in The Hague. More than 100 holders of common and preference shares were present at the meeting, together accounting for 59.5% of AEGON's total voting share capital. For further details and minutes of the meeting please refer to [www.aegon.com](http://www.aegon.com).

In May 2010, AEGON introduced a **new format** to bring its reporting more in line with the way the company manages its businesses. Under the new format, AEGON reports underlying earnings and other results primarily by geographical area: Americas (including the United States, Canada, Brazil and Mexico), the Netherlands, the United Kingdom and New Markets (encompassing AEGON's businesses in Asia, Spain, France and Central & Eastern Europe, as well as AEGON Asset Management and Variable Annuities Europe). This new format is designed to enhance transparency and reflect recent organizational changes in the company's businesses.

## AEGON'S SHARE

AEGON's primary **listing** is in Amsterdam, but the company's shares are also listed in London and New York. These listings give AEGON access to international capital markets and are a vital part of the company's overall corporate and financial management strategies. In 2010, AEGON delisted its common shares from the Tokyo Stock Exchange because the volume traded did not justify the related expense.

AEGON recognizes the importance of a clear, stable and coherent dividend policy. Dividend payments to shareholders depend on the company's cash flow and capital position. The dividend is composed of two separate payments:

- An interim dividend, announced at the same time as the company's second quarter results in August.
- A final dividend, proposed in February or March and voted on at the annual General Meeting of Shareholders in April or May.

Payment of the interim and final dividends is made in either stock or cash.

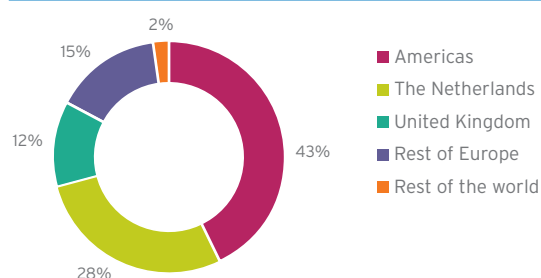
AEGON is not allowed to pay a dividend on its common shares until the core capital obtained from the Dutch State through Vereniging AEGON in 2008 is fully repaid. Consequently, AEGON did not declare either an interim or final dividend for 2010.

AEGON updated its dividend policy on February 24, 2011.

AEGON's **share price** showed a steady improvement during the first few months of 2010. However, the price declined during the second and third quarter, mostly because investors were anticipating a European debt crisis. Overall, AEGON's share price on the Amsterdam Stock Exchange gained 1% in value in 2010. AEGON shares on the New York Stock Exchange, meanwhile, declined 5% as a result of a strengthening of the US dollar against the euro. AEGON's share price performed in line with the company's European peers, but underperformed compared with peers in the United States (please see charts below).

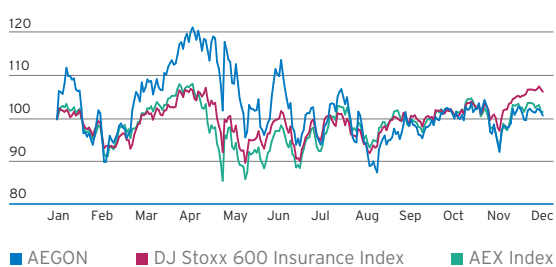
### Shareholder base 2010

In %



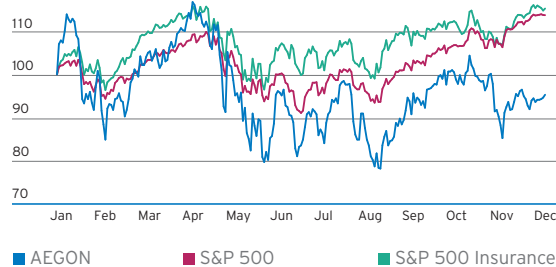
### AEGON share price development versus indices

Rebased (in EUR)



### AEGON share price development versus indices

Rebased (in USD)



## RISK MANAGEMENT

As an insurance company, AEGON manages risk on behalf of its customers and other stakeholders. As a result, the company is exposed to a variety of underwriting, operational and financial risks. The overall **objective** of AEGON's strategy in this area is, at all times, to maintain a solvency and liquidity position such that no plausible scenario would cause the company to default on its obligations to policyholders.

AEGON has a strong culture of risk management based on a clear, well-defined **governance** framework, represented at all levels within the company. This ensures a coherent and integrated approach to risk management. Similarly, AEGON has a number of company-wide risk policies in place, which detail specific guidelines and limits.

AEGON's Executive Board has overall responsibility for risk management, and determines the company's risk tolerance and risk appetite. In 2010, AEGON established an Executive Board Risk Committee, comprising three members: the Chief Executive Officer, the Chief Financial Officer and the Chief Risk Officer. This committee also oversees the work of AEGON's Group Risk and Capital Committee (GRCC), and reports, along with the company's Chief Risk Officer, to the Risk Committee of the Supervisory Board. The GRCC is responsible for managing AEGON's overall balance-sheet position, and for ensuring that risk-taking is within overall tolerance levels and that the company's capital position is sufficient to support both the company's business objectives and capital requirements. For more details on AEGON's risk governance, please see the company's 2010 Annual Report available at [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

## Risk overview 2010

During 2010, AEGON took a series of measures to limit the company's exposure to major financial risks:

<b>Credit risk</b>	<ul style="list-style-type: none"> <li>After initially narrowing during the first part of 2010, credit spreads later widened, reverting to the levels seen at the start of the year. Defaults and downgrades improved. During 2010, AEGON reduced its exposure by restructuring the company's US investment portfolio, selling high-yield investments in the Netherlands and increasing investments in lower-risk, long-term UK government bonds.</li> </ul>
<b>Equity market and other investment risk</b>	<ul style="list-style-type: none"> <li>Equity markets remained volatile throughout the year. AEGON further extended its program to hedge equity risk at its US and Dutch operations to protect against a possible deterioration in equity markets.</li> </ul>
<b>Interest rate risk</b>	<ul style="list-style-type: none"> <li>Interest rates continued to decline for most of 2010 from already low levels. Falling rates particularly affected investment income and margins on financial guarantees. AEGON took initiatives during the year to reduce exposure to movements in interest rates. In the United States, a number of interest rate-sensitive products were re-priced and product features adjusted to decrease interest rate risk. Sales of fixed annuities in the United States were also de-emphasized. In addition, in the United Kingdom, steps were taken to direct investments toward lower-risk long-dated UK government bonds.</li> </ul>
<b>Currency exchange rate risk</b>	<ul style="list-style-type: none"> <li>As an international company, AEGON is exposed to movements in currency rates. However, AEGON does not consider this exposure to be material. The company holds its capital base in various currencies in amounts that correspond to the book value of individual country units, thus mitigating currency risk. AEGON does hedge cash flows from operating subsidiaries as part of broader liquidity and capital management.</li> </ul>
<b>Liquidity risk</b>	<ul style="list-style-type: none"> <li>AEGON has a strong liquidity management strategy in place. Since the early 1990s, AEGON has been constantly refining and developing its approach to liquidity management. As part of this approach, AEGON regularly considers the most extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates and policyholders withdrawing liabilities at the earliest conceivable date. In addition, the company has highly developed liquidity stress planning in place. In 2010, AEGON further increased its holdings of cash and highly liquid assets as a precaution against liquidity risk. AEGON's liquidity management strategy ensures the company will not be a forced seller of assets even in a severe stress scenario. Stress tests show that available liquidity would more than match the company's requirements for at least the next two years, even if current market conditions were to significantly deteriorate.</li> </ul>

<b>Underwriting risk</b>	<ul style="list-style-type: none"> <li>■ AEGON's earnings depend, to a significant degree, on the extent to which claims experience is consistent with the assumptions used by the company to price products and establish technical liabilities. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior could have a considerable impact on AEGON's income. AEGON believes it has the capacity to take on more underwriting risk, providing it is correctly priced, in line with the company's broader strategy to capitalize on growth opportunities in its main life insurance and pension markets.</li> </ul>
<b>Operational risk</b>	<ul style="list-style-type: none"> <li>■ Like other companies, AEGON faces risks resulting from operational failures or external events, such as changes in regulations and natural or man-made disasters. AEGON's systems and processes are designed to support complex products and transactions and to avoid such issues as systems failures, financial crime and breaches of security. AEGON is constantly working on analyses of such operational risks and regularly develops contingency plans to deal with them.</li> </ul>

Much of AEGON's efforts in this area are focused on financial risk. The company does, however, track **non-financial and operational** risk, covering the following areas: staff turnover and absenteeism, workplace safety, data security, IT systems failures, customer complaints, fraud, the possibility of litigation, administrative error, physical threats and processing backlogs. Indicators on these non-financial risks are included in the Group Risk and Capital Committee's regular quarterly report to AEGON's Management Board.

## CREDIT AND FINANCIAL STRENGTH RATINGS

Financial strength ratings are important to AEGON's core business model. The competitive position of an insurer is often determined by its ability to pay benefits and claims. The market gauges an insurer's ability to make these payments based on its financial strength ratings.

At the end of 2010, the Standard & Poor's, Moody's and Fitch insurance financial strength ratings and ratings outlook for AEGON's holding company and its US life insurance operations were as follows:

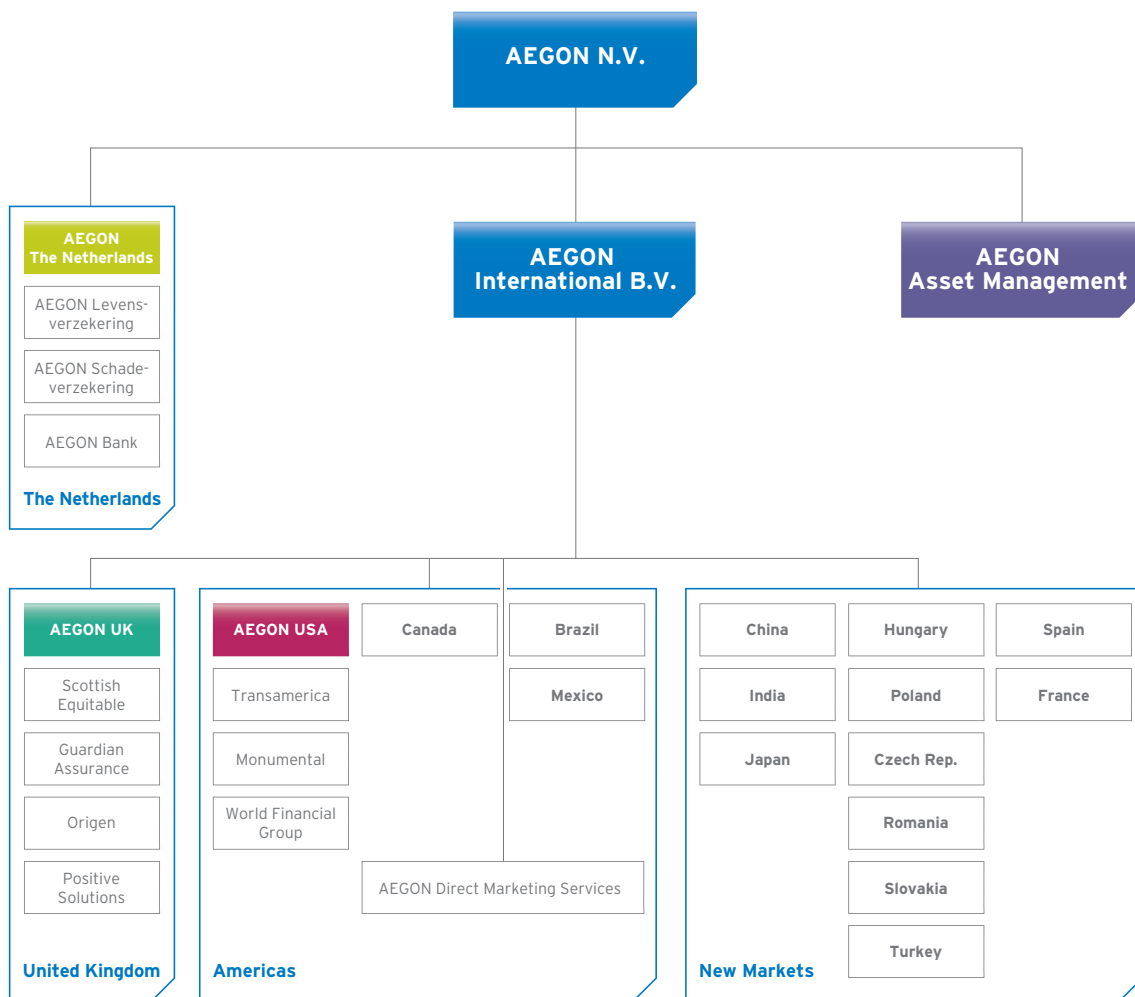
Agency	AEGON N.V.	AEGON USA
<b>S&amp;P</b>	A- Outlook: negative	AA- Outlook: negative
<b>Moody's</b>	A3 Outlook: negative	A1 Outlook: negative
<b>Fitch</b>	A- Outlook: stable	AA- Outlook: stable

Please note that, in 2010, AEGON asked Standard & Poor's to suspend publication of its financial strength rating for AEGON Levensverzekering, the company's life insurance unit in the Netherlands, as one of the conditions agreed with the European Commission for its approval of State support to AEGON (for further details, please refer to the Business partners section of this report (see [pages 49-55](#)).

## CORPORATE GOVERNANCE

AEGON is a public company under Dutch law. It is governed by three corporate bodies: the **General Meeting of Shareholders**, which meets at least once every year, the **Executive Board** and the **Supervisory Board**. In addition, AEGON also has a Management Board, which assists the Executive Board in its tasks and responsibilities. As a company established in the Netherlands, AEGON is subject to the Dutch Corporate Governance Code.

### AEGON's business operations worldwide <sup>1</sup>



For more details on AEGON's system of corporate governance, please refer to the 2010 Annual Report, available at [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

<sup>1</sup> Reflects a simplified structure. For more detail, please refer to AEGON's 2010 Annual Report.

## SUPERVISORY BOARD

AEGON's Supervisory Board oversees the management of the Executive Board, as well as the overall course of the company's business and corporate strategy. In its deliberations, the Board must take into account the interests of all AEGON stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

### AEGON's Supervisory Board

#### Appointment of Board members

Members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board itself.

#### Supervisory Board committees

The Supervisory Board oversees the work of four Committees. These Committees are composed exclusively of Supervisory Board members and deal with specific issues relating to AEGON's financial accounts, risk management strategy, executive remuneration and appointments.

#### Composition of the Board

AEGON has drawn up a profile outlining the qualifications required of its members. Supervisory Board members are no longer eligible for appointment or re-election after the age of 70, unless the Board itself decides to make an exception. Board members' remuneration is determined by the General Meeting of Shareholders. Board members may serve a maximum of three four-year terms.

#### Current Board members

AEGON's Supervisory Board currently comprises ten non-executive members. Of the members of the Board, one is a woman, and the rest men. AEGON considers all members of the Board to be 'independent', with the exception of Kees Storm, who is a former CEO of the company.

#### Committee

#### Roles and responsibilities

##### Audit Committee

- Oversees audit of AEGON's financial accounts.

##### Risk Committee

- Oversees company's approach to risk management.

##### Compensation Committee

- Oversees remuneration policy for executives and senior management.

##### Nominating Committee

- Oversees appointments to executive positions within the company.

To read AEGON's Supervisory Board report for 2010, please see [AEGON's 2010 Annual Report](#).

## EXECUTIVE BOARD, MANAGEMENT BOARD AND GENERAL MEETING OF SHAREHOLDERS

AEGON's **Executive Board** currently has two members: Alex Wynaendts, who is the Chairman of the Executive Board and CEO, and Jan Nooitgedagt, AEGON's Chief Financial Officer. AEGON's Executive Board is charged with the overall management of the company and, as such, is responsible for achieving the company's aims, strategy and associated risk-return profile, as well as sustainability issues and the development of the company's earnings. AEGON's Executive Board is assisted in its work by the company's **Management Board**, which in 2010 comprised six members, including the two members of the Executive Board<sup>1</sup>.

A **General Meeting of Shareholders** is held at least once a year. Its main function is to decide matters such as the adoption of annual accounts, the approval of dividend payments and appointments to AEGON's Supervisory and Executive Boards. When deemed necessary, the Supervisory or Executive Board has the authority to convene an extraordinary General Meeting of Shareholders.

### AEGON's General Meeting of Shareholders

#### Attendance

Every shareholder is entitled to attend the General Meeting, to speak and vote, either in person or by proxy granted in writing.

#### Agenda

Those shareholders who alone, or jointly, represent at least 1% of AEGON's issued capital or a block of shares worth at least EUR 50 million may request items be added to the agenda of these meetings.

#### Shareholder participation

AEGON encourages shareholder participation. AEGON is a member of the Stichting Communicatiekanaal Aandeelhouders, a Dutch foundation dedicated to improving communications between listed companies in the Netherlands and their shareholders. AEGON also solicits proxies from New York registry shareholders in line with common practice in the United States.

#### Voting

Each share carries one vote. However, under certain circumstances, AEGON's largest shareholder, Vereniging AEGON, may cast 25/12 votes for each of its preferred shares. All resolutions are adopted by an absolute majority of votes cast, unless Dutch law or AEGON's own Articles of Association stipulate otherwise.

<sup>1</sup> Please note that Otto Thoresen resigned his position as CEO of AEGON UK on April 1, 2011. Mr. Thoresen was formerly a member of AEGON's Management Board. Mr. Thoresen is taking up a new position as Director General of the Association of British Insurers.

## GOVERNANCE CODES

As a company based in the Netherlands, AEGON adheres to the **Dutch Corporate Governance Code**. AEGON endorses the Code and strongly supports its principles for sound and responsible corporate governance. AEGON regards the Code as an effective means of helping ensure that the interests of all stakeholders are duly represented and taken into account. The Code also promotes transparency in decision-making and helps strengthen the principles of good governance. The new, amended Dutch Corporate Governance Code came into force at the beginning of 2009. For more detailed information, please see the Corporate Governance Statement, which can be found at AEGON's website: [www.aegon.com](http://www.aegon.com).

In addition, AEGON companies also adhere to a number of other local, regional and international corporate governance initiatives. These include rules and guidelines provided by the:

- Organization for Economic Cooperation and Development (OECD).
- International Corporate Governance Network (ICGN).
- Department of Labor in the United States.
- US Insurance Regulatory Requirements.

AEGON also upholds a number of different international agreements, which set out guidelines or minimum standards for pollution, human rights or labor conditions. These agreements help shape and inform the company's investment decisions.

AEGON is a signatory to the 2010 **Carbon Disclosure Project**, a program that encourages companies to be more open about their greenhouse gas emissions. Investors signing up to the project manage assets worth approximately USD 64 trillion.

In the United Kingdom, AEGON Asset Management is a member of the **Association of British Insurers'** investment committee, which considers corporate governance issues and sets policy in this area. AEGON Asset Management UK is also a member of both the **UK Sustainable Investment and Finance Association** and the **Extractive Industry Transparency Initiative**, which aims to improve governance in the global oil, gas and minerals sector.

In November 2010, AEGON added its name to an investor statement calling for an international agreement to address **climate change**. In all, 259 investors signed the statement with collective assets totaling more than USD 15 trillion. The statement was timed to coincide with the latest round of negotiations on climate change in Cancun, Mexico. The statement was signed on behalf of AEGON by CEO Alex Wynaendts.

### Ensuring effective compliance

Effective compliance with the various rules, regulations and guidelines by which AEGON is bound is vital to achieving the company's goal of sustainable, profitable growth. In 2010, AEGON introduced a new Global Compliance Charter, aimed at strengthening compliance management at the company. A copy of the charter is available at [www.aegon.com](http://www.aegon.com). The charter has a number of objectives, including:

- To strengthen AEGON's approach to managing compliance risk.
- To strengthen overall corporate governance.
- To ensure that, within AEGON, the compliance function remains independent of the business.



## OUR BUSINESS PARTNERS

AEGON sells most of its products and services via distribution channels, including agents, brokers, banks and financial advisors, as well as partnerships with other companies. Relatively few of AEGON's products are sold directly to customers. This approach enables customers to access AEGON products in a way that best suits them. In Spain, for example, where an estimated 70% of life insurance policies are sold through banks, AEGON has a network of partnerships with the country's regional savings banks, giving the company access to a potential market of some 4.5 million customers.

### Business partners: Our basic principles

- With its suppliers and distributors, AEGON strives to build long-term relationships of mutual benefit to both parties.
- AEGON endeavors to work with business partners who share the company's core values.
- In its distribution contracts, AEGON endeavors to work within accepted international social and environmental standards.
- AEGON operates a 'zero tolerance' policy with regard to bribery, corruption, money laundering, fraud and other violations of the company's Code of Conduct.

### From design to execution: AEGON's product chain



## Distribution

United States	<ul style="list-style-type: none"> <li>Life insurance mainly through agents and, to a lesser degree, through banks and direct marketing channels.</li> <li>Variable annuities are sold via fee-based planners, wire-houses and broker-dealers, while fixed annuities are traditionally sold via banks.</li> <li>Pension products are distributed through financial advisors, while group pension plans are sold directly to employers.</li> </ul>
The Netherlands	<ul style="list-style-type: none"> <li>Mostly via financial advisors, brokers and other intermediaries.</li> <li>In addition, AEGON also owns Unirobe-Meeùs Groep, a distributor of financial products and services.</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>Mostly via independent financial advisors, banks and other intermediaries.</li> <li>In addition, AEGON owns two UK distribution companies - Origen and Positive Solutions.</li> </ul>
New Markets	<ul style="list-style-type: none"> <li>AEGON's businesses in Central &amp; Eastern Europe operate mainly through networks of brokers and independent and tied agents.</li> <li>In Asia, products are sold through agents, direct marketing, banks and other intermediaries.</li> <li>In Spain, AEGON operates mainly through partnerships with local regional savings banks.</li> <li>In Latin America, AEGON works through networks of independent and field agents and brokers, as well as banks and direct marketing.</li> </ul>

## STANDARDS FOR INTERMEDIARIES

AEGON has systems in place in its country units to ensure that brokers and other intermediaries act in accordance with the company's codes and minimum standards. In addition, AEGON offers information and training to help them better understand and sell the company's products:

- In the Netherlands, intermediaries are asked to sign a formal cooperation document detailing their obligations to AEGON and the company's customers.
- In Hungary and Canada, all intermediaries are required to sign a Code of Ethics before joining the sales network.
- In China and Central & Eastern Europe, AEGON has minimum standards for insurance intermediation in place for its network of tied agents.
- In the United States, Transamerica Worksite Marketing requires all brokers and agents to sign an agreement to abide by the company's guidelines, based on AEGON's Code of Conduct and US government legislation.
- Transamerica Life and Protection has contracts in place with intermediaries to ensure they conform to established practices and guidelines. A special audit group has been set up to monitor compliance.

AEGON also has measures in place to avoid **incidents of fraud** involving employees, intermediaries or those outside the company. This includes specific training and programs to raise awareness among staff. In cases where fraud has been committed, AEGON takes steps against those involved. In 2010, 50 incidents of fraud involving intermediaries were reported to the company, two-thirds in the United States. Incidents of fraud involving external parties totaled 443. Nearly 80% occurred in the Netherlands. Incidents of fraud are tracked each quarter as one of AEGON's operational key risk indicators.

### Advising the advisors

In 2010, Transamerica hosted a series of two-day workshops for financial advisors in the United States. The Transamerica Coaching Forums informed advisors of the latest legislative changes, and looked at new ways of meeting customer requirements, despite the economic downturn. "In the wake of the financial crisis, many advisors have struggled to provide credible solutions for their clients," said Dave Paulsen, National Sales Manager for Annuities at AEGON's US subsidiary, Transamerica Capital Inc. "Yet the need for quality retirement services hasn't changed, so the opportunity for us both to build our businesses is tremendous." In all, more than 1,100 financial advisors attended the coaching sessions in 2010, which were held in San Francisco, Boston and Chicago. The forums will continue in 2011 - dates have already been booked for four major cities in March and May.

## GOVERNMENTS AND REGULATORS

AEGON actively engages with **governments and industry regulators** around the world. The company holds regular discussions on new legislation for the life insurance and pension sectors in the Americas, Europe and Asia. These discussions have taken on growing importance in light of the recent global financial crisis and aging populations in many parts of the world. In Europe, AEGON is actively engaged in discussions on the future of the pension industry, as well as the introduction of new capital requirements under the European Union's Solvency II program. In the United States, AEGON played an active role in the debate with the Obama administration over regulatory reform for the financial services sector.

Over the past year, AEGON has provided considerable information and support to governments and regulators in many of the regions where the company operates, including Asia, Latin America and Central & Eastern Europe, as well as in AEGON's three main markets. AEGON's Public Policy and Regulatory Affairs department works alongside policymakers in Washington, Brussels and London. The department's objective is to ensure lawmakers have the opportunity to make use of AEGON's knowledge and expertise when framing new legislation.

In December 2010, AEGON was one of thirteen multinational companies to co-sign a letter to the European Commission objecting to the Hungarian government's introduction of new 'crisis taxes'. AEGON believes the legislation will have a detrimental effect both on the long-term financial security of Hungary's citizens and on the company's business in the country. AEGON had just over 800,000 pension fund members in Hungary. AEGON expects this legislation, along with planned new restrictions on contributions to private pension funds in Poland, will have a negative effect of EUR 25 million on the company's underlying earnings in 2011.

## POLITICAL CONTRIBUTIONS AND TAX

AEGON respects national laws in force with regard to **donations to political parties**, candidates and organizations. With the exception of the United States, no other AEGON country unit is involved in making political contributions.

In the United States, like many other US companies, AEGON has a Political Action Committee (PAC), which pools contributions from employees to support Republican and Democratic candidates for both federal and state legislative offices. In 2010, the AEGON USA PAC made contributions to federal candidates totaling USD 183,000, below an average of the company's US peers<sup>1</sup>. Of this total, 58% went to Democrats and 42% to Republicans. AEGON believes that its PAC plays an important role in helping strengthen the democratic process in the United States. Money donated by the PAC comes from personal, voluntary contributions from eligible employees across the US organization. The PAC operates within clearly-defined governance guidelines, and candidates are chosen on the basis of strict criteria. The PAC operates under the rules of the US Federal Election Commission. All the PAC's contributions are a matter of public record. The PAC's accounts are kept separate from those of the company.

<sup>1</sup> Source: Center for Responsive Politics. Based on insurance companies reporting contributions in 2010 through Political Action Committees. Average of seven US peer companies' contributions, including AEGON: USD 273,214.

Under campaign finance laws in the United States, companies are prohibited from making contributions to federal and some state candidates. As a matter of principle, AEGON companies in the United States do not contribute to political parties, organizations or campaigns.

#### US Chamber of Commerce

In October 2010, articles in the media alleged that the AEGON Transamerica Foundation had helped fund an anti-Obama campaign through its support of the US Chamber of Commerce. This allegation was not correct. Between 2004 and 2006, the Foundation had donated a total of USD 3 million to the Chamber's National Chamber Foundation. But no donations have been made since 2006. Contributions were made to help the National Chamber Foundation in its work fostering public debate over key issues affecting US business.

AEGON has put in place a grassroots program in the United States to promote employee involvement in the political process. This program - the AEGON Citizen Action Network (CAN) - provides information on upcoming legislation affecting the insurance and pension industry. AEGON also participates in 'Get out and vote' campaigns in the United States to encourage employees to vote at local and national elections.

#### Tax

In 2010, AEGON paid a total of EUR 274.1 million in **tax**. This amount includes tax paid by the company on behalf of its policyholders.

	2010	2009
United States	EUR 64.2 million	EUR 341.8 million
The Netherlands	(EUR 264.8 million)	EUR 79.2 million
United Kingdom	(EUR 47.3 million)	(EUR 46 million)
Others	(EUR 26.2 million)	(EUR 29.9 million)
<b>TOTAL</b>	<b>(EUR 274.1 million)</b>	<b>EUR 345.1 million</b>

Positive figures denote a tax benefit during the year.

Please note that:

- The presentation of these figures has changed since AEGON's 2009 Sustainability Report. Tax payments are now given by country, rather than country or operating unit.
- There is often no direct correlation between earnings for any given year and the amount of tax paid or received.
- In 2009, AEGON received significant tax benefits related to cross-border intercompany reinsurance treaties, which were to a large extent a reversal of charges incurred by the company in prior years.
- In 2010, AEGON USA received tax refunds in the United States relating to excess payments in prior years. These refunds more than offset amounts paid in 2010.

## DUTCH STATE SUPPORT

In December 2008, AEGON secured EUR 3 billion in capital from the Dutch State through Vereniging AEGON, its largest shareholder. This support was part of a broader program for banks and insurance companies in the Netherlands during the recent financial crisis. The support was subject to approval by the European Commission. Following a review, the Commission announced in August 2010 that it had approved the Dutch State support for AEGON, but agreed a number of conditions to prevent any undue distortion of competition. These conditions include both structural measures and temporary behavioral constraints (see below). In addition, AEGON has agreed to repay the support in full by the end of June 2011, market conditions permitting.

### Structural measures

- Continue to run off institutional spread-based business in the United States and lower production of fixed annuities.
- Increase equity hedge on the company's variable annuity back book in the United States and continue pricing variable annuity products on a market consistent basis worldwide.
- Implement measures to further improve the quality of the company's capital base.

### Temporary behavioral constraints

- Not pursue acquisitions, though investment in AEGON's partnerships in Spain is permitted, providing the company's share of the Spanish market does not increase.
- No dividend payments to holders of common shares until all core capital securities issued to the Dutch State are fully repurchased.
- Not pursue top-three price leadership positions in the Netherlands in either the residential mortgage or internet savings markets.
- Request Standard & Poor's no longer publish a financial strength rating for AEGON's Dutch life insurance unit.

Many of these structural measures had already been decided by AEGON even before the European Commission's ruling. These were part of broader efforts to improve the company's risk-return profile and operational efficiency and to lower costs. AEGON does not expect the measures to affect the company's ability to grow its business profitably.

### Timetable for repayment

- AEGON repaid an initial EUR 1 billion in December 2009, taking advantage of a lower premium for repayment.
- Following the company's agreement with the European Commission, another EUR 500 million was repaid in August 2010.
- In March 2011, AEGON used proceeds from an equity issue to repay a further EUR 750 million to the Dutch State.
- Market conditions permitting, the remaining EUR 750 million will be repaid by the end of June 2011.

For further details on AEGON's agreement with the Dutch State, please refer to the company's 2010 Annual Report, available at [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

### Europe's pension squeeze

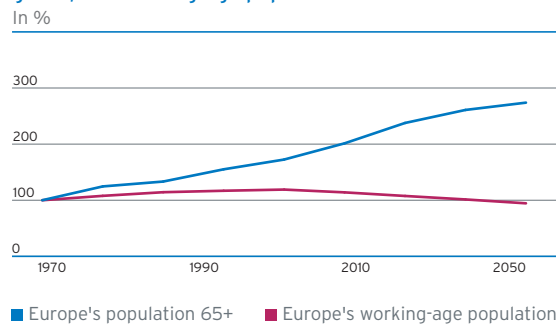
In May last year, hundreds of thousands took to the streets in France to protest against the government's plans for pension reforms. And it wasn't just France: similar protests have taken place in other European countries - in Spain, Greece and the United Kingdom.

Governments across Europe all face similar issues: an aging population, a shrinking workforce and pressure to reduce yawning budget deficits. Last year the European Commission launched a Green Paper - a discussion document that could open up a way to meaningful reform of Europe's pensions.

There's nothing new about the idea of a European Green Paper, but two things were unusual about this one. First, it was a joint production from several different Brussels departments. And, unlike previous papers which have focused on particular issues, this one covered Europe's entire pension framework - all the way from state pensions to company-sponsored retirement plans.

There are limits to what can be done - a lot of regulations are still decided within each member country. But this paper asked some interesting questions, such as: How do we make our pension systems sustainable? How do we ensure adequate payments? Given that we're all living longer, how do we set a suitable retirement age? How do we make sure everyone has access to the information they need to make the right decisions? And, if we move from one EU country to another, can we take our pensions with us? It's not a revolution, but there are signs of change - if we keep our heads we can find a considered and effective way through Europe's pension squeeze.

### The squeeze is on: as Europe's pension population grows, the working-age population shrinks



Source: UN Population Prospects; figure above assume a base year of 1970, equal to 100%.

## SUPPLY CHAIN

As an international provider of long-term financial products and services, AEGON has relatively few social, environmental and governance risks associated with its supply chain when compared with other sectors of the economy. Primary responsibility for supply chain management rests with AEGON's country and business units, which operate through individual rules, standards and guidelines.

AEGON uses locally-determined standards as part of its selection process for suppliers:

United States	<ul style="list-style-type: none"> <li>Basic standards are integrated into a broader procurement policy and applied to all suppliers.</li> </ul>
The Netherlands	<ul style="list-style-type: none"> <li>Minimum standards are set for environmental criteria, as well as health and safety. Similar standards were made part of AEGON's tender process in 2009.</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>Under the terms of AEGON's procurement policies, minimum standards are in place for the following areas: environment, labor conditions and health and safety.</li> </ul>
Canada	<ul style="list-style-type: none"> <li>Minimum standards are in line with ISO 14001, an internationally recognized benchmark for environmental management.</li> </ul>

In 2010, AEGON paid out a total of EUR 1.47 billion to suppliers for a variety of goods and services, unchanged from the year before.

## OUR PEOPLE

AEGON employs approximately 27,500 people in over twenty countries around the world. Nearly 45% of the company's workforce is located in the United States. AEGON also employs people in Asia, Europe and Latin America. The company endeavors to act as a responsible employer, providing the conditions, incentives and formal training its employees require for personal and business success.

At the end of 2010, AEGON had a total of 27,474 employees. AEGON associate companies in India, Brazil, Mexico and Japan employed a further 3,680 agents and employees. Overall, AEGON's workforce - not including associates - declined 3.2% in 2010. This decline was due mainly to the effect of restructuring in the United States, the Netherlands and the United Kingdom. In these three main markets, the company's workforce shrank by almost 10%. A number of jobs were also lost in AEGON's institutional spread-based business in the United States. This business was placed in run-off in 2009<sup>1</sup>.

In 2010, 11% of all AEGON employees worked part-time, a slight increase from the previous year. Those on fixed term contracts accounted for just 8% of the company's global workforce.

### Employees: our basic principles

- We promote ethical behavior and encourage the reporting of any illegal or unethical behavior.
- We promote respect for people and their working environment.
- We actively enforce policies that promote non-discrimination in the workplace and encourage diversity.
- We hire, promote, and pay our employees fairly and do so based on their qualifications, their experience and their ability to do a job.
- We provide training to encourage our employees, within the scope of their professional activities for the company, to act in the best interests of all stakeholders and abide by our business principles and core values.
- We provide employees with a safe place to work.
- We encourage personal and career advancement.
- We allow our employees the free right of association.

<sup>1</sup> Please note that all figures used in this section of the report exclude associate companies.



## AEGON global workforce

Country	Agents	Employees	Total 2010	Total 2009	Change
United States	1,600	10,672	12,272	13,502	(9.1%)
Canada	0	686	686	692	(0.9%)
The Netherlands	470	4,652	5,122	5,510	(7.0%)
United Kingdom	82	4,056	4,138	4,851	(14.7%)
China	478	465	943	1,200	(21.4%)
Spain	0	293	293	257	14.0%
Hungary	0	1,154	1,154	1,164	(0.9%)
Poland	0	277	277	249	11.2%
Romania	0	53	53	51	3.9%
Slovakia	0	76	76	73	4.1%
Czech Republic	0	100	100	100	0.0%
Turkey	436	79	515	413	24.7%
Japan	0	63	63	NM	NA
Holding and other activities	0	334	334	267	25.1%
Variable annuities (UK and Ireland)	0	145	145	37	291.9%
AEGON Asset Management <sup>1</sup>	0	1,303	1,303	NA	NA
<b>TOTAL (EXCLUDING ASSOCIATES)</b>	<b>3,066</b>	<b>24,408</b>	<b>27,474</b>	<b>28,366</b>	<b>(3.2%)</b>

Associate companies <sup>2</sup>

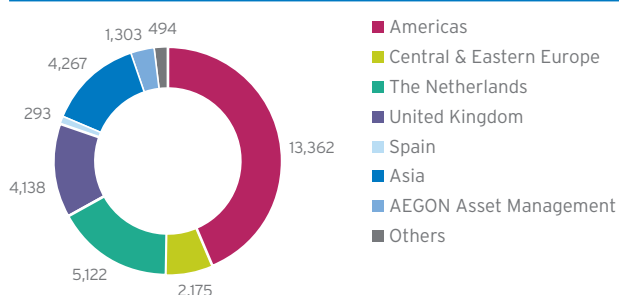
Brazil	0	324	324	NM	NA
Mexico	0	80	80	NM	NA
India	2,458	803	3,261	16	NA
Holding and other activities	0	15	15	NM	NA
<b>TOTAL (INCLUDING ASSOCIATES)</b>	<b>5,524</b>	<b>25,630</b>	<b>31,154</b>	<b>28,382</b>	<b>9.8%</b>

<sup>1</sup> Please note that AEGON Asset Management was not measured separately in 2009.

<sup>2</sup> Figures for associate companies are included on a pro rata basis.

## Geographical breakdown

At end-2010, including associate companies



## HUMAN RIGHTS

As a global company, AEGON recognizes its responsibility for helping defend and promote human rights. AEGON has had a human rights policy in place since the end of 2007. As part of this policy, AEGON upholds the United Nations' Universal Declaration of Human Rights and subscribes to the standards of the International Labor Organization, as well as the principles on human rights and labor standards contained in the UN Global Compact.

**AEGON's policy on human rights** applies to all AEGON business operations. This also commits the company to applying the same policy, wherever possible, to its dealings with third parties. The policy is also included in AEGON's Code of Conduct, which applies to all employees.

AEGON endeavors to raise awareness among employees about its policy and broader human rights issues through the company's e-learning programs. For a copy of AEGON's human rights policy, please go to [www.aegon.com](http://www.aegon.com).

In 2010, 40% of employees worked for an AEGON company that had regular dialogue with its staff through a **works council** or a similar structure, compared with 47% the previous year. During the year, works councils or employee representative bodies met regularly in the United Kingdom, the Netherlands, Hungary and Poland. Trade unions Unite and Aegis are both represented on AEGON's European Works Council. AEGON does not have union representation in the United States. Collective bargaining agreements cover 24% of all AEGON employees, including the majority in both the Netherlands and the United Kingdom.

AEGON's European Works Council (EWC) meets twice a year. Representatives are drawn from the company's operations in the United Kingdom, the Netherlands, Poland, Hungary, Spain, Ireland, Slovakia and the Czech Republic. The EWC is consulted when a project or proposal affects more than one of AEGON's European country units. Recently, the EWC's work has focused on a number of areas, including:

- ◆ The creation of AEGON Asset Management.
- ◆ Job losses and redundancies as a result of restructuring.
- ◆ AEGON's business strategy.
- ◆ European pensions.
- ◆ Diversity in the workforce.

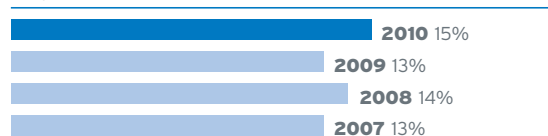
## EMPLOYEE TURNOVER

In 2010, employee turnover reached 15%, up from 13% the year before. Of the total, just under half left the company voluntarily to pursue opportunities elsewhere. Employment was terminated for another 7%, largely the result of significant restructuring of AEGON's businesses in the United States, the Netherlands and the United Kingdom. The remaining 1% was due to a policy, in certain business areas, of not replacing those employees leaving the company either to take up other jobs or to retire.

At the end of 2010, AEGON employees had, on average, spent 8.9 years with the company, up from 8.6 years twelve months earlier.

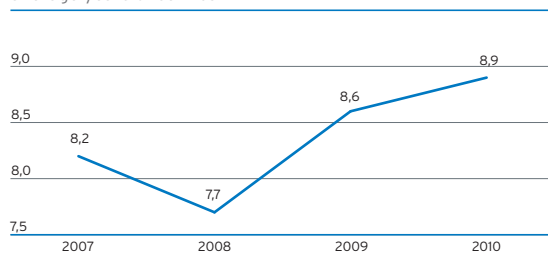
### AEGON global workforce: annual staff turnover

In %



### AEGON global workforce:

average years of service



## ABSENTEEISM

In 2010, AEGON companies' overall **absentee rate**<sup>1</sup> stood at 2.0%, a decrease from 2.3% the previous year. Most AEGON country units have policies in place to reduce absenteeism, including wellness programs, health check-ups, safety training and occupational health facilities.

A total of 292 work-related **injuries and illnesses** were reported in 2010, down 11% from the year before. This figure covers injuries sustained and reported by employees during the course of their work for the company.

### Absentee rates

Country	2010	2009	Trend
United States	1.7%	1.8%	Down
The Netherlands	4.1%	4.2%	Down
United Kingdom	2.9%	2.4%	Up
Central & Eastern Europe	1.6%	1.6%	Unchanged
China	1.4%	1.8%	Down
<b>TOTAL</b>	<b>2.0%</b>	<b>2.3%</b>	<b>Down</b>

### Work-related injuries

Country	2010	2009	Change
United States	181	193	(6.2%)
The Netherlands	20	25	(20%)
United Kingdom	81	104	(22.1%)
Others	10	6	66.7%
<b>TOTAL</b>	<b>292</b>	<b>328</b>	<b>(11.0%)</b>

### Health and safety: local programs and initiatives

Country	Programs and initiatives
United States	<ul style="list-style-type: none"> <li>Local safety and wellness committees.</li> <li>Regular health risk assessments.</li> <li>Free 'flu vaccinations.</li> <li>Programs to reduce stress, promote healthy living and monitor cardiac health.</li> <li>Pandemic planning committee.</li> <li>24 hour-a-day counseling service.</li> </ul>
The Netherlands	<ul style="list-style-type: none"> <li>Access to company doctor and medical staff.</li> <li>Annual evaluation of risks and danger to staff and working environment.</li> <li>Free 'flu vaccinations.</li> <li>Workshops to help managers respond to employees suffering bereavement or other traumatic events.</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>Employee Assistance Programme providing round-the-clock advice for both employees and immediate families on issues such as debt management, emotional problems and bereavement.</li> <li>Guidelines for managers and employees on how to manage stress, particularly important in an uncertain and changing environment.</li> </ul>

<sup>1</sup> Includes illness and other reasons, but specifically excludes maternity leave (except in the United States).

Canada	<ul style="list-style-type: none"> <li>Wellness program, including exercise and stress relief.</li> <li>Program to promote healthy lifestyle, including diet and disease prevention.</li> </ul>
Hungary	<ul style="list-style-type: none"> <li>Preventative health program, including regular blood tests and check-ups for melanoma.</li> <li>Free H1N1 and seasonal flu vaccinations.</li> </ul>
Slovakia	<ul style="list-style-type: none"> <li>Regular safety training and health check-ups.</li> </ul>
Romania	<ul style="list-style-type: none"> <li>Quarterly health and safety training.</li> </ul>
AEGON Asset Management	<ul style="list-style-type: none"> <li>In the United States, access to 24-hour counseling for employees and their families.</li> <li>In the United Kingdom, access to telephone and face-to-face counseling under UK Employee Assistance Programme.</li> </ul>

## DIVERSITY AND NON-DISCRIMINATION

AEGON believes that greater diversity within its workforce brings clear benefits to its business:

- By creating a wider, more diverse pool of talent.
- By improving the company's understanding of its customer base and broadening its appeal to different customer segments.
- By further strengthening AEGON's brand and reputation.
- By enhancing employee engagement and satisfaction and creating a more productive and attractive working environment.

AEGON actively enforces policies that promote non-discrimination in the workplace whether on grounds of race, creed, disability, religion, sexuality, age or gender. This principle of non-discrimination is also contained in AEGON's Business Principles. AEGON also takes steps to comply with local legislation with regard to equal pay and treatment.

In addition, AEGON has mechanisms in place to deal with cases of discrimination, including the Global Ethics Line, which enables employees to report in confidence possible violations of the company's Code of Conduct or other areas of concern. In the United States, AEGON has a similar toll-free helpline called SHARE. Any alleged violations not dealt with internally are referred usually to external employment tribunals. AEGON offers computer-based training to staff in the United States and the United Kingdom on issues relating to non-discrimination and equal employment. In 2010, AEGON employees reported two separate incidents of alleged discrimination. In both cases action was taken.

AEGON also takes measures to encourage those with family commitments to remain in the workforce, and to take up positions in management. These policies include:

- Part-time working
- Flexible hours
- Tele-working
- Childcare facilities
- Family leave

At the end of 2010, women made up 51% of AEGON's total workforce, and 24% of the company's senior management – an improvement from 2009 and slightly ahead of most of AEGON's immediate peers<sup>1</sup>.

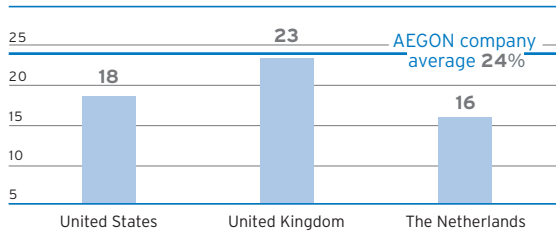
<sup>1</sup> Based on research by Oekom Research, 2009.

In the Netherlands, AEGON is a signatory to the 'Talent to the Top' charter, which is aimed at encouraging more women into senior management positions. In the United States, AEGON provides skills development and mentoring programs through *The Women's Way of Leadership Program*.

AEGON is currently working on plans to incorporate diversity, including gender and other issues, into the company's Global Talent Management program. Further work on this topic - with an emphasis on awareness building - will take place during 2011.

#### Women in AEGON senior management

In %



Source: AEGON

#### Finding a Voice

In Cedar Rapids, Iowa, United States, a group of employees have begun a Diversity Discussion and Study Group. This volunteer group exchanges experiences and ideas about diversity, and regularly funnels proposals to AEGON executives. Members of the group vary by age, gender, ethnicity, physical capability, race, religion and sexual preference. The only real criterion for selection is that members should be passionate about diversity. The group makes sure that membership remains as diverse as possible and recently published a book - 'Finding a Voice' - which related its collective experiences of both the challenges and opportunities of diversity. Over the past several months, AEGON's Diversity Discussion and Study Group has contributed to several company initiatives, including:

- Review of AEGON's diversity training modules.
- Feedback on aspects of AEGON's Take 15 US management training program on tackling racial discrimination.
- Organization of eight free diversity training days for Human Resources and management at the Cedar Rapid offices.

The group's next project will be a series of videoconferences for Human Resources professionals across the United States, during which the authors of Finding a Voice will discuss their experiences and field questions from colleagues.

## CODE OF CONDUCT

AEGON's Code of Conduct sets out the company's core values and its underlying principles of business practice. It applies to all AEGON employees, excluding only those working for joint ventures where AEGON does not have full management control. AEGON's country units provide regular training on the Code of Conduct, and monitor compliance with provisions of the Code. To download a copy of the Code, please go to [www.aegon.com](http://www.aegon.com).

AEGON's Code of Conduct contains rules, regulations and guidelines in a number of areas including:

- Preventing discrimination in the workplace.
- Protecting free and open competition.
- Ensuring the confidentiality of personal information supplied by employees, customers, business partners and shareholders.
- Preventing employees from accepting bribes or seeking to gain unlawful advantage.
- Detecting and stopping money laundering.
- Respecting the environment and promoting greater environmental responsibility.
- Ensuring clear, accurate and regular disclosure of financial and other information.

AEGON last updated its Code of Conduct in 2008 to bring it into line with developments in world financial markets as well as changes to international accounting standards and insurance industry regulations.

In addition, AEGON offers a **Global Ethics Line**, which allows employees worldwide to report in confidence any suspected violations of the Code. The line is operated by an external party and is available 24 hours a day in the employee's own language. AEGON updated the Global Ethics Line in 2010 to take into account recent changes in business practice and the international market environment.

## TACKLING FRAUD

AEGON is determined to tackle incidents of corruption and malpractice in all its businesses around the world. AEGON companies have detailed procedures in place for complaints regarding accounting, internal financial controls and auditing. These procedures operate in conjunction with national laws, as well as with separate provisions, set out at country unit level, and deal with issues ranging from handling confidential information to combating money laundering. AEGON also has a number of other provisions in place in this area:

- AEGON sets out clear rules in its Code of Conduct and elsewhere designed to prevent corruption, bribery, money laundering, insider dealing and other forms of malpractice.
- AEGON's Global Ethics Line provides employees with an opportunity to report in confidence any suspected violations of the company's Code of Conduct or other areas of concern.
- AEGON also has a number of educational and training programs designed to raise awareness among employees of the risks posed by issues such as money laundering and insider dealing.
- In 2009, AEGON adopted a Global Financial Crime Notification, Investigation and Reporting procedure, which provides a clear definition of what constitutes a financial crime and helps track incidents of fraud, corruption and money laundering across the company.
- In 2010, AEGON published a Global Compliance Charter. The aim of the Charter, which builds on previous group compliance guidelines, is to further strengthen the effectiveness of compliance within the company. The Charter applies to all operations worldwide where AEGON has management control, sets out the roles and responsibilities of AEGON's compliance function, and deals with governance and compliance risk management. As part of the Charter, AEGON's country and operating units report every quarter on compliance risks and events. AEGON believes the Charter will support the company's business strategy and that an efficient, effective system of compliance is vital to generating sustainable, profitable growth for both the company and its stakeholders.

Each quarter, AEGON records incidents of fraud involving employees, intermediaries or external parties at its operations around the world. This information is summarized and reported to the company's Group Risk and Capital Committee as one of AEGON's operational Key Risk Indicators.

Seventeen **incidents of fraud** involving AEGON employees were reported in 2010, an increase from 6 in 2009. Ten of these incidents took place in the Netherlands. In each case, appropriate action was taken against the employee involved.

## EMPOWERING OUR EMPLOYEES

Within AEGON, responsibility for human resources has traditionally been devolved to individual country units. In 2010, however, AEGON decided to take a more integrated approach to this issue. This decision was part of a broader objective: to manage AEGON more as a single, international company.

In addition, AEGON has identified 'empowering employees' as key to the company's 2015 ambition: *to be a leader in all its chosen markets*. This new, more integrated approach to human resources management is based on three primary 'aspirations':



The company believes this approach will bring definite benefits, including:

- Sharing of knowledge and best practice across the organization.
- More effective management of talent at executive and other levels.
- Improved performance management and implementation of the company's strategy.
- Increased employee engagement.

AEGON will implement this more integrated approach progressively over the next two-three years.

### Global HR Council

To support a more integrated approach, AEGON has established a Global HR Council. This Council draws members from the company's individual country and operating units. The Council's task is to oversee implementation of AEGON's human resources strategy, as well as to manage company-wide projects and initiatives on behalf of the Management Board.

### Encouraging talent

AEGON has a number of programs designed to nurture talent and leadership potential within the company.

AEGON's **Global Talent Management program** was launched in 2008, with the aim of developing leadership potential across the organization. The objectives of the program are:

- To ensure AEGON realizes its full potential as a global company by identifying, managing and rewarding leading talent on an international basis.
- To ensure that AEGON has the depth of talent with the right skills, competencies and experience to support the company's current and future strategy.
- To use the quality of AEGON's management as a competitive advantage.

As part of the company's global approach to talent and performance management, AEGON is planning during the course of 2011 to conduct a talent review of its two most senior tiers of management (below the Management Board). Once complete, this review will be extended to cover the following management tiers.

**AEGON University** has been in existence now for the past sixteen years. The program takes in talented AEGON employees from around the world and gives them the opportunity to share knowledge and experience, as well as to learn more about the company, its businesses and its strategy. In 2010, AEGON updated the University program to take into account changes in business practice and the business environment, particularly since the global financial crisis. The work of the University is supported by other programs, including the **AEGON Americas Leadership Academy**. AEGON also has an organization called **Young AEGON**, a network of employees designed to share information and best practice, and a two-year leadership development program in the United States. AEGON Asset Management also offers additional coaching, mentoring and development programs in the United States, the Netherlands and the United Kingdom.

In 2010, AEGON introduced a **Global Assignment Policy**, covering employees temporarily working outside their home countries. This policy is part of wider efforts to manage AEGON as a single, international company, and is aimed at encouraging greater mobility within the AEGON workforce. The policy also aims to ensure employees are able to maintain rights and benefits in their home countries while on expatriate assignments overseas.

## MEASURING EMPLOYEE EMPOWERMENT

AEGON has a number of measures in place to improve levels of employee satisfaction and engagement. These include employee recognition programs and initiatives to strengthen internal communications. Most AEGON country units carry out a survey of employees at least once a year. Participation rates vary, but average between 75% and 80%. Only three country units currently do not carry out regular surveys: China, Romania and Spain. Together, these country units represent just under 5% of the company's total workforce.

Country	Survey details
Canada	<ul style="list-style-type: none"> <li>Currently conducting survey once a year.</li> <li>Participation rate in 2010 was 98%.</li> </ul>
China	<ul style="list-style-type: none"> <li>Last surveys took place in 2005 and 2006.</li> <li>Planning to restart surveys, but no date fixed yet.</li> </ul>
Czech Republic	<ul style="list-style-type: none"> <li>Survey conducted once a year.</li> <li>Response rate in 2010: 75%.</li> </ul>
Hungary	<ul style="list-style-type: none"> <li>Survey conducted once every two-three years.</li> <li>Response rate in 2010: 75%.</li> </ul>
India	<ul style="list-style-type: none"> <li>First survey took place in December 2009, covering nearly 1,600 employees working for AEGON's joint venture with Indian partner Religare.</li> <li>Participation rate: 90%.</li> </ul>
The Netherlands	<ul style="list-style-type: none"> <li>Survey conducted twice a year.</li> <li>Participation rate: 80%.</li> </ul>
Poland	<ul style="list-style-type: none"> <li>Survey carried out once a year.</li> </ul>
Romania	<ul style="list-style-type: none"> <li>No survey.</li> </ul>
Slovakia	<ul style="list-style-type: none"> <li>Survey conducted every two years.</li> <li>Response rate: 77%.</li> </ul>
Spain	<ul style="list-style-type: none"> <li>No survey conducted.</li> </ul>
Turkey	<ul style="list-style-type: none"> <li>Survey carried out once a year.</li> <li>Participation rate in 2009: 85%.</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>Three surveys planned for 2010-2011 to accompany AEGON's restructuring in the United Kingdom.</li> <li>Last survey in 2010 covered approximately 4,000 employees in AEGON's UK pension and insurance businesses.</li> </ul>



<b>United States</b>	<ul style="list-style-type: none"> <li>Employee surveys in the United States are the responsibility of individual operating units. In 2010, five units conducted surveys of their workforce<sup>1</sup>.</li> </ul>
<b>Asset Management</b>	<ul style="list-style-type: none"> <li>AEGON Asset Management carried out its first survey as a global organization in November 2010.</li> </ul>

<sup>1</sup> Transamerica Worksite Marketing, Diversified Investment Advisors, Transamerica Capital Management, Transamerica Asset Management and Transamerica Retirement Services.

According to surveys carried out in 2010, employee satisfaction levels at AEGON's country and operating units declined overall by 2.7% compared with the previous year. This decline was due mainly to the impact of company restructuring and the global financial crisis. In addition to these surveys, AEGON also conducted extensive employee research during the year as part of the company's brand values project.

In 2010, AEGON initiated a new project to further strengthen its approach to employee engagement and satisfaction. As part of this approach, AEGON will carry out a global employee engagement survey in the second half of 2011. This survey has several objectives:

- To develop a consistent, company-wide measurement of employee satisfaction and engagement.
- To benchmark that measure against accepted financial services industry and non-industry standards.
- To develop recommendations enabling management to take specific measures to improve employee satisfaction and engagement.
- To explore possible links between employee engagement and other business outcomes, particularly its impact on customer loyalty.

This survey will cover a number of different areas, including:

- Employees' understanding of strategy and their individual role within the organization.
- Confidence and trust in senior executives and local managers.
- Confidence in the direction and future of the company.
- Access to training and career advancement.
- Culture of support and innovation within the company.
- Importance of 'work-life' balance.
- Link between employee engagement and customer service.
- Strength and relevance of internal communications.

Results from this survey will be communicated to employees, and included in AEGON's 2011 Sustainability Report. Based on these results, AEGON will develop a specific action and follow-up plan for management at different levels within the company.

## RECRUITMENT AND TRAINING

In 2010, AEGON recruited 3,788 new employees worldwide<sup>2</sup>, up from 2,308 the year before. Most of these employees were hired to replace existing staff leaving the company. On average, vacant positions were filled within 38 days, up from 29 days in 2009, though individual country unit rates varied widely. Each vacancy attracted an average of 46 applicants, down from 75 the previous year. Figures showed that the labor markets in which AEGON operates remained difficult during 2010, with highly skilled workers in particular in short supply.

All AEGON companies have measures in place to attract and retain the best employees. These measures are vital to the long-term health of the company as a whole. At the core of AEGON's policy in this area is the need to offer attractive and flexible benefit packages. Measures vary from country to country, but include:

- Personal and career advancement.
- Business and language training.
- Reimbursement of tuition fees.
- Mentoring and coaching programs.

<sup>2</sup> This figure refers to new hires only. It does not include employees taken on as a result of mergers or acquisitions.

AEGON often works with recruitment agencies to find the best possible candidates for vacant positions. The company also acts on findings from employee satisfaction and engagement surveys and exit interviews to improve benefits and working conditions for staff. AEGON encourages employees at all levels to take part in formal skills and development programs. Training sessions cover topics such as customer service, product knowledge, business writing, compliance and sales. Most of AEGON's country units grant employees time and, occasionally, financial assistance to pursue individual projects such as language training or higher education related to their work at the company. In the United Kingdom, AEGON has a specific 'talent mapping process', which links training to individual requirements and career development. In the United States, where 45% of AEGON's global workforce is located, appraisals include a 'sustainability' component, which assesses employees' compliance with company values, rules and procedures, including the Code of Conduct.

#### Workforce taking part in formal skills and capabilities programs:

	2010	2009	Change
Senior management	91%	91%	Unchanged
Middle management	91%	86%	5.8%
Other employees	88%	82%	7.3%

#### AEGON's training programs 2010:

	2010	2009	Change
Amount spent on training	EUR 13.4 million	EUR 12.5 million	7.2%
- Per employee	EUR 488	EUR 440	10.9%
Average number of days spent on training	3.76 days	4.02 days	(6.5%)

#### Workforce subject to regular, standardized performance appraisals:

	2010	2009	Change
Senior management	83%	100%	(17%)
Middle management	83%	98%	(15.3%)
Other employees	83%	98%	(15.3%)

## SALARIES, COSTS AND BENEFITS

To attract and retain talented employees, AEGON believes it must offer competitive salaries and compensation packages. Employment costs for AEGON's total workforce amounted to EUR 2.15 billion in 2010, up from EUR 2.04 billion in 2009. This was due mainly to an increase in the costs in the company's New Markets, which more than offset decreases in both the Americas and the Netherlands.

**Employment costs 2010 (EUR million)**

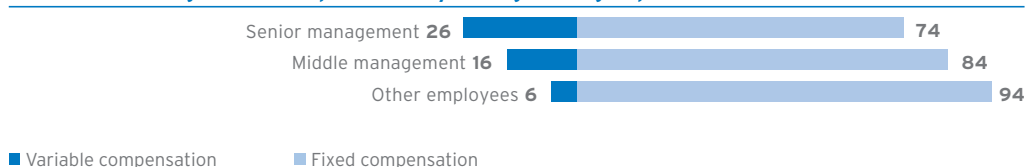
Unit	Total salaries	Other expenses	Total 2010	Total 2009	Change
Americas	721	269	990	1,058	(6.4%)
The Netherlands	243	218	460	512	(10.1%)
United Kingdom	176	142	318	300	6.0%
New Markets	190	134	324	106	206%
Holding and others	39	20	59	59	Unchanged
<b>TOTAL</b>	<b>1,368</b>	<b>783</b>	<b>2,151</b>	<b>2,035</b>	<b>5.7%</b>

Please note that certain figures for 2009 have been recalculated to reflect the transfer of variable annuities operations from the United Kingdom to New Markets. Total figure for 2009 employment costs remains unchanged, however. Some figures may not add due to rounding.

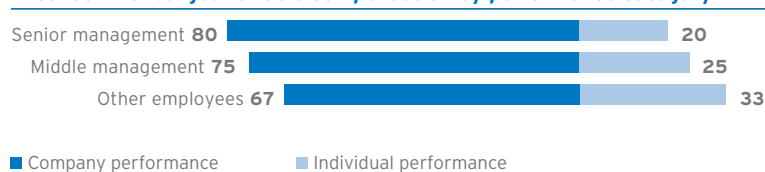
**Employment costs per capita (EUR)**

Unit	2010	2009	Change
Americas	76,400	74,258	2.9%
The Netherlands	89,858	92,997	(3.4%)
United Kingdom	76,829	63,452	21.1%
<b>AVERAGE TOTAL</b>	<b>78,296</b>	<b>71,716</b>	<b>9.2%</b>

Employees' salaries may contain both a **fixed and variable** component linked to either company or personal performance, or both. Generally speaking, the proportion of variable pay increases with seniority.

**Breakdown of target total compensation by management group**

On average, senior managers also have more of their target variable compensation linked to company, rather than personal, performance. Across all grades, compensation depends more on company than individual performance.

**Breakdown of target variable compensation by performance category**

**Pension arrangements** vary from country to country. In the United States, AEGON offers its employees both defined contribution and defined benefit plans. In the United Kingdom, AEGON has now closed its defined benefit plan to new entrants and offers only a defined contribution plan. In the Netherlands, AEGON offers its employees a choice, depending on their income, of either defined benefit or defined contribution.

In total, AEGON pension plans in the company's three main markets - the United States, the Netherlands and the United Kingdom - cover an estimated 55,000 current and former employees. In addition, in Central & Eastern Europe, AEGON makes contributions to several employee pension funds and individual savings programs.

## EXECUTIVE PAY

**Executive pay** is an important issue for many of AEGON's shareholders and other stakeholders. AEGON's Remuneration Policy ensures that pay for members of the Executive Board is closely linked to the performance of the company and the long-term interests of its stakeholders. The Policy is also used as a guide to determine pay for other senior managers within the organization, including members of the company's Management Board. Under this approach, pay and bonuses in many cases are dependent on both financial performance and the company's overall strategic objectives, including operational effectiveness and customer loyalty.

AEGON's Executive Board Remuneration Policy has four main objectives:

- To enable AEGON to attract and retain highly-qualified members for its Executive Board.
- To provide a well-balanced and performance-related compensation package for Executive Board members.
- To ensure that the interests of Executive Board members are aligned with AEGON's business strategy and risk tolerance as well as the objectives, values and long-term interests of the company.
- To enhance the transparency and simplicity of Executive Board members' remuneration, consistent with the principle of 'pay for performance'.

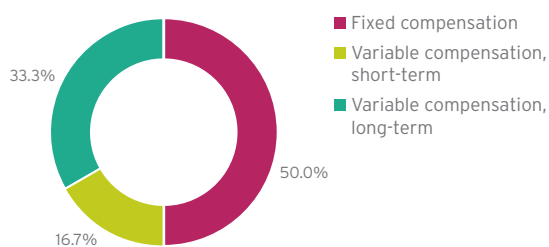
AEGON's Policy is reviewed each year by the company's Compensation Committee. If necessary, the Committee recommends amendments to the Supervisory Board. Any material changes are submitted by the Supervisory Board to the annual General Meeting of Shareholders for adoption. AEGON regularly compares its levels of executive remuneration with those at other, comparable companies.

AEGON's current Remuneration Policy was adopted by the company's General Meeting of Shareholders in April 2010. The Policy will remain in force until AEGON has fully repurchased the core capital obtained from the Dutch State through Vereniging AEGON in December 2008 at the height of the financial crisis, or until such time as the Supervisory Board proposes changes or amendments.

AEGON's Supervisory Board determines a maximum total compensation for each member of the Executive Board. This comprises a fixed component and variable compensation, which is linked to the performance of the company. The chart below gives each of these components as a maximum of total compensation for 2010:

### Total compensation for Executive Board members

At maximum level



Payments are made in cash and in the form of conditionally granted shares.

Payment of variable compensation is based on a mix of financial and non-financial indicators:

#### Short-term incentive compensation

	Maximum % of total short-term incentive compensation	Target
Earnings	37.5%	Growth in net underlying earnings.
Profitable growth	37.5%	Value of new business, adjusted for risk.
Non-financial and personal objectives	25.0%	Individual basket of strategic and personal objectives.

#### Long-term incentive compensation

	Maximum % of total long-term incentive compensation	Target
Earnings	20%	Growth in net underlying earnings.
Return on capital	20%	Return on capital, adjusted for risk.
Shareholder returns	35%	Relative total shareholder return as measured against peers <sup>1</sup> .
Non-financial	25%	Objectives measuring corporate responsibility

<sup>1</sup> In 2010, the peer group comprised the following companies: Aviva, AXA, Generali, Hartford Financial Services Group, Legal & General, Manulife Financial, MetLife, Principal Financial Group, Prudential Financial, Prudential plc, Sun Life, and Zurich Financial Services.

In addition, the Supervisory Board may make discretionary adjustments to Executive Board members' variable compensation if it considers that AEGON's business is being affected by significant and exceptional circumstances not reflected in the indicators.

The policy also includes a 'circuit-breaker': short-term incentive compensation is only paid if AEGON N.V. reports a net income for the year. Moreover, in cases of material financial restatements or individual gross misconduct, AEGON's Supervisory Board reserves the right to re-claim short-term incentive compensation payments.

## Executive Board payments in 2010

Tables below show 2010 fixed and variable compensation for members of AEGON's Executive Board:

### Fixed compensation

#### Executive Board members

In EUR	2010	2009	% change
Alexander R. Wynaendts CEO and Chairman EB	955,542	950,000	0.6
Jan J. Nooitgedagt <sup>1</sup> CFO and member EB	704,083	525,000	0.6

### Variable compensation 2010

Short-term variable compensation for members of the Executive Board is based on three one year indicators (earnings, profitable growth and a basket of strategic and personal objectives). For 2010, Mr. Wynaendts and Mr. Nooitgedagt were eligible to receive EUR 317,000 and EUR 233,000 respectively in short-term variable compensation - subject to the adoption of the annual accounts at the 2011 annual General Meeting of Shareholders<sup>2</sup>. However, in consultation with the Supervisory Board, the Executive Board has decided to forego short-term variable compensation for AEGON's performance during 2010, given that the company did not complete full repayment of capital support to the Dutch State during the year.

Long-term variable compensation for members of the Executive Board is paid in shares, based on the company's performance against four three-year indicators (earnings, return on capital, shareholder returns and the Dow Jones Sustainability Index score). Actual performance is measured over the period 2010-2012. The conditional number of shares made available under the 2010-2012 long-term incentive compensation plan were 104,515 and 76,891 for Mr. Wynaendts and Mr. Nooitgedagt respectively<sup>3</sup>. Following an evaluation of the company's performance by the Supervisory Board at the end of the 2010-2012 performance period, the conditional shares may vest in 2013. Any vested shares under this plan will subsequently be held for another two years.

For further details of AEGON's Remuneration Policy and practices, please refer to the company's Annual Report for 2010, available at [www.aegoncorporatereporting.com](http://www.aegoncorporatereporting.com).

1 Please note that Mr. Nooitgedagt was appointed Chief Financial Officer in April 2009. His 2009 salary was prorated, based on an annual salary for that year of EUR 700,000. The percentage charge is also calculated using this annual figure.

2 For comparison, please note that, under the agreement between the Dutch government and the country's financial sector, no variable compensation was paid to members of the Executive Board for the year 2009. Furthermore, no variable compensation was paid to members of the Executive Board over 2008.

3 These numbers reflect at-target performance. The share price was set at EUR 4.851.

## RESTRUCTURING

During 2010, AEGON went through a period of further restructuring, aimed primarily at reducing costs, improving returns and sharpening the company's focus on its core growth markets. Regrettably, this restructuring led to the loss of just under 1,000 jobs, mostly in the United Kingdom, the United States and to a lesser extent the Netherlands. AEGON took specific measures to limit the number of compulsory redundancies and to help those who lost their jobs find alternative employment, either within the company or outside.

### United Kingdom

<b>Restructuring</b>	<ul style="list-style-type: none"> <li>Withdrawal from UK bulk annuities market (complete).</li> <li>Sale of AEGON's third party pension administration business (sale agreed)</li> <li>Closure of employee benefits business (complete).</li> <li>Sale of healthcare division belonging to UK subsidiary Origen (sale agreed)</li> <li>Further cost reduction measures, including restraints on recruitment (in process).</li> </ul>
<b>Business objectives</b>	<ul style="list-style-type: none"> <li>To reduce costs, increase returns and further improve efficiency (objective to reduce costs from AEGON's UK life insurance and pension businesses by 25% by the end of 2011).</li> <li>To focus on growth opportunities in key At Retirement and Workplace Savings markets.</li> </ul>
<b>Employees affected</b>	<ul style="list-style-type: none"> <li>In 2010, AEGON reduced its workforce in the United Kingdom by 469. This figure includes positions lost as a result of both restructuring and natural attrition.</li> </ul>
<b>Measures taken, where possible, to limit number of compulsory redundancies</b>	<ul style="list-style-type: none"> <li>All other, non-payroll options for cost savings explored and, where possible, implemented.</li> <li>Staff redeployed to other departments.</li> <li>Other restraints imposed on payroll costs, including recruitment and salary freezes.</li> <li>Employees offered voluntary redundancy packages.</li> </ul>
<b>Measures taken to support employees affected by redundancy</b>	<ul style="list-style-type: none"> <li>Career transition program for all employees affected, provided by outside specialist.</li> <li>Additional training on interview techniques.</li> <li>All new positions advertised internally.</li> <li>All employees at risk of redundancy placed on a special redeployment register and provided with weekly updates of new job opportunities within the organization.</li> <li>Where appropriate, certain roles ring-fenced for employees at risk before being opened up to other candidates.</li> <li>Redundancy terms maintained for the duration of the restructuring program.</li> </ul>
<b>Internal communications and consultation procedures</b>	<ul style="list-style-type: none"> <li>Communications steering group established to ensure coordination of all internal and external communications.</li> <li>Significant internal communications program to minimize uncertainty for UK employees.</li> <li>Communication workshops for all line managers.</li> <li>Extensive consultations with UK trade unions, Aegis and Unite, on every proposed redundancy, to meet requirements of Recognition Agreement with unions and UK employment legislation.</li> <li>At least two face-to-face meetings with employees affected. Employees could choose to be accompanied by either a colleague or union representative.</li> <li>Open Q&amp;A sessions with senior management.</li> <li>Increase in frequency of staff engagement surveys to improve employees' understanding of company strategy (at the start of the program, 85% of staff said they understood the need for restructuring).</li> <li>Where possible, employees informed of all measures at the same time, or before, public announcements.</li> </ul>

## United States

<b>Restructuring</b>	<ul style="list-style-type: none"> <li>Discontinue sales of non-qualified benefit plans funded by bank and corporate-owned life insurance products (complete).</li> <li>Consolidate existing businesses in Louisville, Kentucky, and transfer operations to other existing locations in the United States (in process).</li> <li>Further consolidation and outsourcing of some back-office activities in Cedar Rapids, Iowa (in process).</li> <li>Possible divestment of AEGON's Transamerica Re reinsurance activities in the United States and overseas.</li> <li>Run-off of AEGON's spread-based institutional market division in the United States (announced in 2009).</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>Reduce operating costs and further improve efficiency (AEGON expects the measures will result in annual cost savings of approximately USD 70 million).</li> </ul>
<b>Employees affected</b>	<ul style="list-style-type: none"> <li>Loss of approximately 500 jobs in the United States, equivalent to 5% of the company's total US workforce.</li> </ul>
<b>Measures taken, where possible, to limit number of compulsory redundancies</b>	<ul style="list-style-type: none"> <li>Number of steps taken before the start of the restructuring program to limit job losses in light of economic downturn, including:             <ul style="list-style-type: none"> <li>Reduction in payroll expenses.</li> <li>Hiring and salary freezes in certain areas.</li> <li>Reduction in other, non-payroll costs.</li> <li>Employees offered opportunities to move to other positions, where possible, within the organization.</li> </ul> </li> </ul>
<b>Measures taken to support employees affected by redundancy</b>	<ul style="list-style-type: none"> <li>Outplacement service, operated by external company, providing careers advice, counseling, and skill development programs (employees eligible for program for up to six months after severance).</li> <li>Redundancy packages linked to length of service.</li> <li>Selected employees offered relocation package to move to other AEGON locations in the United States.</li> </ul>
<b>Internal communications and consultation procedures</b>	<ul style="list-style-type: none"> <li>Direct communications to employees and business units affected.</li> <li>Internal communications program via email, newsletter and intranet.</li> <li>Counseling and advice available as part of outplacement service.</li> </ul>



## The Netherlands

<b>Restructuring</b>	<ul style="list-style-type: none"> <li>Reorganization of AEGON's sales operations in the Netherlands (announced in 2009).</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>Improve profitability and returns.</li> <li>Adjust to changing distribution patterns.</li> <li>Greater customer focus.</li> </ul>
<b>Employees affected</b>	<ul style="list-style-type: none"> <li>225 jobs lost during the course of 2010 as a result of the reorganization, including 174 compulsory redundancies.</li> </ul>
<b>Measures taken, where possible, to limit number of compulsory redundancies</b>	<ul style="list-style-type: none"> <li>Employees given priority when applying for other jobs within the organization.</li> <li>Where possible, staff redeployed to other departments.</li> </ul>
<b>Measures taken to support employees affected by redundancy</b>	<ul style="list-style-type: none"> <li>Redundancy package agreed with trade unions.</li> <li>Additional training for those losing their jobs.</li> <li>Outplacement and career transition service.</li> <li>Voluntary redundancy package.</li> <li>Former employees given access to dedicated website advertising all new positions.</li> </ul>
<b>Internal communications and consultation procedures</b>	<ul style="list-style-type: none"> <li>Face to face meetings with all employees in relevant departments, whether directly affected by redundancy or not.</li> <li>Significant internal communications program, involving email newsletters, messages from senior executives and regular updates through special Q&amp;A documents.</li> <li>Social media platform for employees to share questions, ideas and uncertainties.</li> <li>Extensive consultation with trade unions in the Netherlands.</li> </ul>

Following the reorganization of AEGON's sales activities in the Netherlands, 94 employees found new jobs through a career transition service provided by the company. Only 32 employees left the company without a job or agreed severance package.

### Reorganization at AEGON Bank in the Netherlands

In January 2011, AEGON announced a restructuring of AEGON Bank in the Netherlands. This restructuring is aimed at reducing costs and refocusing the bank on core products, such as mortgages and retirement savings. The changes are expected to lead to the loss of approximately 80 jobs over the next two years. As part of the restructuring, AEGON Bank will:

- Reposition the bank around the theme of 'Income for Later', simplify its product range and reduce dependency on savings products.
- Discontinue sales of property and casualty insurance.
- Close the bank's offices in Nieuwegein and relocate employees by the end of 2011 to AEGON The Netherlands' main premises in The Hague.
- Simplify the management organization of the bank, continue direct distribution through telephone and internet and strengthen use of new technologies.

AEGON is consulting with trade unions and employees about the restructuring, and intends to present a detailed transition plan by the beginning of April 2011. Through the restructuring, AEGON expects to save EUR 20 million a year.

## THE WIDER COMMUNITY

As an international company, AEGON pursues initiatives designed to reduce the impact of its operations on the environment, and supports a wide range of charitable causes around the world. AEGON also takes as responsible approach to the investments it makes.

AEGON has a company-wide **environmental policy**, which stresses the importance of respecting the environment, conserving energy and eliminating waste. These objectives are also contained in the company's business principles and its Code of Conduct, which apply to all AEGON employees worldwide. In the Netherlands and the United Kingdom, AEGON works with environmental management systems which:

- ◆ Identify the potential impact of the company's operations on the environment.
- ◆ Ensure compliance with local legislation.
- ◆ Encourage local policies and initiatives in this area.

AEGON and its employees around the world support **good causes and charitable organizations**. These vary from research into cancer and other serious illnesses to education for disadvantaged children and financing music and the arts. More than half AEGON's charitable donations are made in the United States through the AEGON Transamerica Foundation. AEGON also regularly supports employee initiatives with additional company funds.

## PROTECTING THE ENVIRONMENT

Each year, AEGON measures its consumption of energy and other raw materials, most notably paper, as well as the company's production of waste and emissions of carbon dioxide. In 2010, AEGON's per employee use of electricity and gas remained stable. A reduction in overall electricity and gas consumption was offset during the year by a decrease in the company's workforce in its main markets - the United States, the Netherlands and the United Kingdom. Paper consumption also declined as a result of an increase in online activities. Water consumption, on a per employee basis, rose by 9%, while use of recycled paper increased, as did waste recycling. Air travel rose by 8% in 2010, reflecting an improvement in business conditions, but air travel remains significantly below 2008 levels.

### Energy

	Unit	2010	2009	% change
Electricity	GwH	150.9	154.6	(2.4%)
- Per capita	KwH	5,493	5,452	0.7%
Gas	Million cubic meters	3.6	3.7	(3.4%)
- Per capita	Cubic meters	129.8	130.1	(0.2%)

### Other raw materials

	Unit	2010	2009	% change
Paper	Metric tons	4,331	5,077	(14.5%)
- Per capita	Kilograms	158	179	(11.7%)
- Recycled paper as % of total use	Percent	38%	20%	95%
Water	Cubic meters	455,770	434,915	4.8%
- Per capita	Liters/day	72.4	66.6	8.7%

**Waste generation**

	Unit	2010	2009	% change
Waste production	Metric tons	4,418	3,660	20.7%
- Per capita	Kilograms	160.8	129.0	24.6%
- Recycled waste as % of total production		69%	58%	19%

**AEGON's carbon footprint**

	Unit	2010	2009	% change
CO <sub>2</sub> emissions from air travel	Metric tons	13,440	12,339	8.9%
CO <sub>2</sub> emissions from gas and electricity use	Metric tons	86,425	88,155	(2.0%)
Total CO <sub>2</sub> emissions	Metric tons	99,865	100,494	(0.6%)
- Per capita	Kilograms	3,634	3,543	2.6%

Please note that:

- Environmental figures exclude data from AEGON's joint ventures and associates in Brazil, India, Japan and Mexico.
- Figures for AEGON's consumption of gas, electricity and water in the United States for 2009 have been restated to reflect a change in scope. Figures for these years and 2010 now include the following:
  - Buildings owned by AEGON with 100 employees or more.
  - Primary data centers supporting multiple locations.
  - Other offices where AEGON leases the majority of the building, has 100 employees or more, has some control over energy and water use, and pays utility bills directly.

These figures have been extrapolated to cover 100% of AEGON's US workforce. In addition, this restatement has led to an adjustment in figures for AEGON's total emissions of carbon dioxide.

- Figures for AEGON's consumption of gas and water in the United Kingdom for 2009 have been restated following a data error.
- Figures for water use in China have been included on a pro rata basis.
- AEGON saw a significant increase in waste production in 2010. This was due mainly to the introduction of a new measurement system at AEGON's operations in the United Kingdom.
- Some figures have been rounded.

## AEGON'S GREEN TEAM

AEGON's Green Team has been in operation since 2008. Members of the team are drawn from the company's main country and operating units. In 2010, the Green Team continued work on a company-wide resource management plan. As part of this plan, AEGON had intended to set a target to reduce emissions of carbon dioxide from the company's operations. Work on this target has begun, but has taken longer than initially expected. AEGON now aims to have this target in place by the end of 2011.

In addition to the Green Team's work in this area, AEGON's country units are also pursuing local initiatives to reduce emissions, lessen the impact of the company's operations on the environment and invest in new, sustainable forms of energy. These initiatives include:

### United States

AEGON reduced energy consumption at its offices in St. Petersburg, Florida, by improving its building management system. As a result, energy use fell by almost 7% in 2010, saving USD 70,000.

In its Baltimore offices, AEGON installed a more efficient air conditioning system, which cut energy consumption during the summer by 6%, despite higher than usual temperatures.

At AEGON's Los Angeles offices, new light fixtures were fitted by the building's owners, resulting in cost savings of approximately USD 65,000 a year.

In the United States, AEGON also has significant investments in both natural resources and sustainable technologies:

- AEGON's Real Estate Alternatives Portfolio (REAP) has investments in projects developing office buildings that meet US Green Building Council and Leadership in Energy and Environmental Design (LEED) standards.
- Since 2002, REAP has invested a total of USD 52 million in private equity timber funds. Outside of REAP, AEGON has a further USD 55 million in investments in sustainable timberland\*. AEGON also has a USD 40 million portfolio of loans secured by timberland.
- In the United States, AEGON has investments in four separate wind power projects, totaling USD 200 million. The projects are capable of generating 286 megawatts of electricity, enough for approximately 80,000 homes.
- AEGON also has investments in low income housing projects across the United States. Just over USD 50 million are in projects with 'green design' elements, and promote the use of renewable energy. The projects are located in New Mexico, Washington and Boston.
- In the United States, AEGON reduced non-commercial air travel between its offices in Louisville, Baltimore and Cedar Rapids by 23% in 2010, largely by using alternative means of communication, including video-conferencing. This contributed to a decline in total business travel of around 3%, reducing both costs and CO<sub>2</sub> emissions.

\* Approximately 96% of this portfolio has been certified 'sustainable' by either the Forestry Stewardship Council or the Sustainable Forestry Initiative.

### The Netherlands

- Alongside other large employers, AEGON takes part in a project with local government in The Hague to reduce car use, particularly during peak travel times.
- AEGON is certified ISO14001 compliant with respect to its property activities in the Netherlands.
- At AEGON's headquarters in The Hague, all office furniture has been certified cradle-to-cradle, and can be recycled for other purposes.

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**United Kingdom**

- AEGON has targets in place to reduce its consumption of electricity, water and gas in the United Kingdom\*.
- AEGON reduces demand for paper through electronic systems for direct mailing and a stock management process for marketing materials.
- AEGON also has programs to reduce waste generation and specific targets to increase recycling.
- AEGON is certified ISO14001 compliant with respect to its property activities in the United Kingdom.

\* In 2010, AEGON had a target to reduce energy use by 3% in the United Kingdom. Electricity consumption, in fact, declined 6.6%, while gas use was 17% higher. Water consumption in the United Kingdom fell by 10.4% in 2010, well ahead of AEGON's target of 5%, thanks to savings from both catering and landscape maintenance.

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**New Markets**

- In Turkey, AEGON has a program to recycle waste paper and collect used plastic bags and batteries.
  - In Romania, AEGON has a program to reduce its consumption of paper by 20% in 2011.
  - In Hungary, AEGON is upgrading its main servers; new servers use an estimated 32% of the electricity needed to power the former servers.
- 

**Global**

- AEGON has now 'virtualized' more than 1,750 servers, saving a total of 12.3 million kWh - the equivalent of just over 7,000 metric tons of carbon dioxide. AEGON's server virtualization program uses new technology to reduce the number of servers the company requires, thereby lowering energy consumption and saving money.
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### Sky's the limit in San Francisco

AEGON has picked up a number of awards for its work on the iconic Transamerica Pyramid building in San Francisco. In 2009, the Pyramid was granted LEED Gold Certification, making it one of the greenest buildings in the United States. The Pyramid has now won the San Francisco Business Times' award for the best green building retrofit, as well as further recognition from the US Green Building Council. Recent refurbishment work at the Pyramid means that:

- Up to 70% of consumable energy is now generated on-site.
- Water consumption has been reduced by 45%.
- 70% of waste is now either recycled or composted.
- Air quality has improved, and the total bill of electricity, gas and water has been cut by more than USD 1.5 million over the past three years.

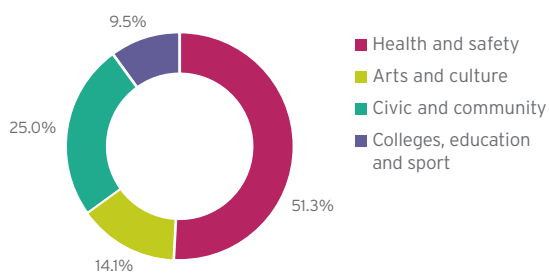
The Transamerica Pyramid is one of San Francisco's best known landmarks. It houses 48 floors of retail and office space. At 260 meters, the Pyramid was the fifth tallest building in the world when it was completed in 1972.

## COMMUNITY SUPPORT

In 2010, AEGON donated a total of EUR 6.6 million to good causes and charitable organizations, down from EUR 7.3 million the year before, and equivalent to 0.4% of the company's net income for the year. The decline was due mainly to lower spending by the AEGON Transamerica Foundation in the United States and other cutbacks in Canada, China and the Netherlands as part of wider cost savings. Of total donations, most went to projects and organizations in the following areas:

- Health and safety
- Arts and culture
- Civic and community

### AEGON donations by category



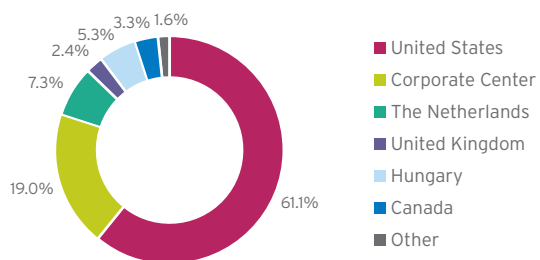
In 2010, the leading recipients of funding from AEGON were:

Organization	Country	Amount	Category
United Way	United States / Canada	EUR 1,224,500	Health, education and welfare
International cancer research program	United States / the Netherlands	EUR 510,000	Health and safety
University of Iowa Foundation	United States	EUR 373,000	Colleges, education and sport
Care Netherlands	Global (AEGON appeal for Haiti, including money raised by employees)	EUR 288,000	Health and safety
Arts awards Hungary	Hungary	EUR 255,000	Arts and culture
Alzheimer Center; Investment Fund for Health in Africa	The Netherlands	EUR 250,000	Health and safety
Fonds Gehandicaptensport (foundation for handicapped sport)	The Netherlands	EUR 135,000	Colleges, education and sport

Please note that figures have been rounded.

The United States accounted for more than 60% of AEGON's donations in 2010, followed by the company's Corporate Center (19%) and the Netherlands (7.3%).

#### AEGON donations: by category



#### Rebuilding Cedar Rapids

In 2008, Cedar Rapids, home town of one of AEGON USA's business units, was hit by devastating floods. AEGON volunteers pitched in, helping local communities clean up after the floodwater. AEGON also donated USD 1 million to the charity Habitat for Humanity to build sixty new homes in the city. Rebuilding, however, goes on. In 2010, AEGON's money helped repair damage at the city's Czech and Slovak Museum and Library, as well as restore Cedar Rapids' historic CSPS community hall and build a new Downtown Riverfront Amphitheatre, which will provide both a new outdoor event space and protection against future flooding.

## OUR APPROACH TO DONATIONS

AEGON devolves considerable responsibility for the donations it makes each year to individual country and operating units. This enables AEGON to support charitable organizations and causes that are important to the local communities in which the company operates. These local programs operate within a broader donations policy, adopted in 2010.

A copy of this policy is available at [www.aegon.com](http://www.aegon.com).

The policy has four main objectives:

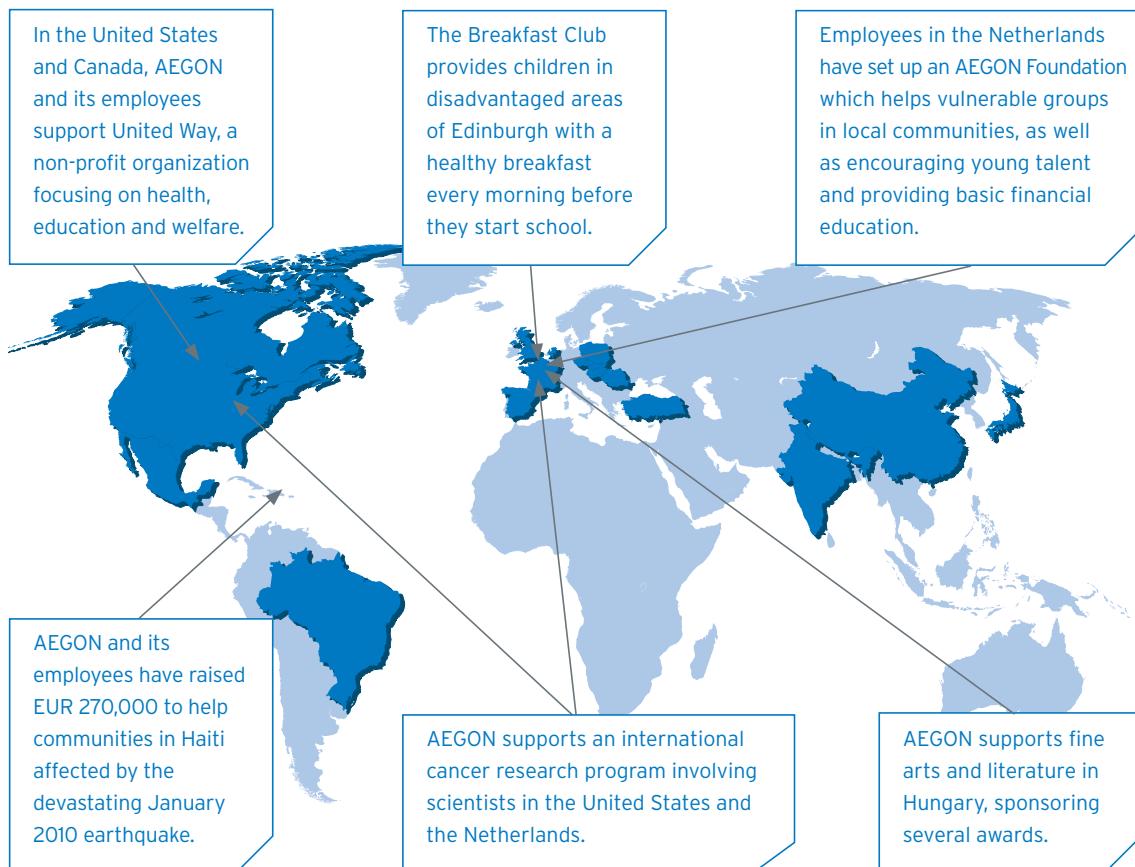
- ◆ To bring greater focus by concentrating the majority of the company's donations on three priority areas: health, welfare and literacy.
- ◆ To create a better quality of life for the beneficiaries of the company's donations program, and ensure long-term, sustainable support for the causes AEGON contributes to.
- ◆ To encourage employee involvement, where possible, in both local community and international projects.
- ◆ To strengthen governance by establishing a Donations Advisory Committee to oversee the donations approval process.

In addition, AEGON's Donations Policy sets out clear guidelines with respect to governance, donations selection and approval, as well as payment terms and contracts.

AEGON's pledge, contained in the Policy, is to:

- ◆ Support organizations that help create a better quality of life for their beneficiaries.
- ◆ Act according to AEGON's Business Principles and Code of Conduct.
- ◆ Support charities and other non-profit organizations in a sustainable, long-term way.
- ◆ Act as a responsible company and lead by example, encouraging employee and other stakeholder engagement in supporting good causes.

### Highlights of AEGON's programs 2010





### **AEGON's early-stage support helps in the fight against cancer**

For the past ten years, AEGON has funded an international cancer research program, bringing together universities in both the United States and the Netherlands. AEGON's support fills a gap often left by regular funding organizations and gives scientists an opportunity to pursue innovative ideas and research that otherwise might go unexplored. Two recent examples include a new method for screening for breast cancer and applying drugs originally developed to combat other illnesses.

According to the World Health Organization, cancer kills between 7 million and 8 million people each year. In the United States and many parts of Western Europe, cancer is already the second biggest killer behind heart disease.

Traditionally, the research program funded by AEGON has focused on three types of cancer: breast, prostate and colon. But increasingly researchers are taking a broader approach, classifying cancers by their 'biological mechanisms' rather than simply by the organs they typically attack. It's an approach that has significant implications for the way cancers are treated, allowing scientists to tailor treatment to individual patients and thereby increase their chances of success.

The research program has made significant progress, but there is work still to be done. "We have to bear in mind that cancer is one of the leading causes of death, that cancer is generally a disease of elderly people and that we are all getting older," says Elsken van der Wall from the University Medical Center in Utrecht, one of the universities involved in the program. "Cancer is the big threat. It's not about what we've done. It's about what we're going to do next."

### **Bringing hope to Haiti**

Since January 2010's devastating earthquake, AEGON and its employees around the world have donated more than EUR 270,000 to help rebuild Haiti's shattered infrastructure. AEGON has been working closely with aid organization CARE International to bring better sanitation and safe drinking water to thousands of people in Léogâne, a coastal town about 30 kilometers from the capital, Port-au-Prince. Even before the earthquake, it was estimated that nearly half the population had no access to clean water. Now, in the months following the disaster, the need has become even more acute with the outbreak of cholera in many areas of the island. CARE's project involves working with local communities to dig new wells and boreholes, lay pipes and set up new schools and health centers. The project will also improve water supply to a local hospital and help people in the small community of Ça ira, who often have to travel by boat to another part of the island to fetch water. Over the next 18 months, working with AEGON and other donors, CARE expects to help at least 14,000 people in Léogâne and elsewhere.

It's estimated that the January 2010 earthquake killed around 200,000 people in Haiti and left another 1.5 million homeless. The disaster struck an island already weakened by poverty and political instability. But that doesn't mean Haitians have lost belief in their future. "Every day, our colleagues see just how unbelievably resilient people are," says Guus Eskens, Managing Director of CARE Netherlands. "Thousands of Haitians have literally lost everything, but not the will to rebuild their country." CARE International is one of the world's best known aid organizations, with projects in over 70 countries in Latin America, Asia and Africa. CARE has been working in Haiti since 1957.

### Boiled eggs in Edinburgh

Improved classroom concentration, better social skills and the remarkable discovery of the boiled egg: these have been some of the unexpected benefits for children attending AEGON's Breakfast Clubs in the United Kingdom. The Breakfast Clubs were developed by AEGON's office in Edinburgh with a simple goal in mind: providing children in disadvantaged areas of the city a healthy breakfast before school begins. But the results have extended beyond the limits of nutritional guidelines.

"Children who were always late are now punctual, and their social skills have advanced," said Neil Smith, Community Sponsorship and Development Coordinator at AEGON UK. "These are kids from families with real challenges - unemployment, alcoholism, drugs - and they're setting their napkins in their laps and asking, 'Can you pass me the milk, please? We're also seeing a positive impact on their schoolwork. With a decent breakfast inside them, they find it easier to concentrate in the classroom."

For the children at Clovenstone Primary School in Edinburgh, one of the program's surprise educational discoveries was ... boiled eggs. "They'd never seen an egg before," said Helen Syme, AEGON's Corporate Responsibility Manager in Edinburgh. "They didn't know what to do with them, how to cut them or peel them or eat them."

The Breakfast Club program operates on a shoestring: the annual budget for each school that signs up is just GBP 5,000. AEGON works to find local businesses and organizations that will sponsor the program and cover these basic operating expenses, acting, said Mr. Smith, as "a kind of dating agency". It's proof that often time and energy count for as much as financial support.

### AEGON backs United Way to better health and education

For a number of years, AEGON has supported United Way in both the United States and Canada. In 2010, AEGON and its employees raised a total of USD 1.22 million for the organization - nearly 20% of the company's overall donations program. United Way was founded more than a hundred years ago - by a group of local and religious leaders. Since then, the non-profit, volunteer-based organization has blossomed. Today, it numbers more than 1,800 local, community-based groups in 45 countries around the world.

Some 1,300 of those groups are in the United States. United Way focuses on three main areas: improving education for schoolchildren, helping deprived families increase their income and their financial stability and promoting healthy lives. AEGON raises money for United Way at its offices across the United States - in Florida, Texas, Maryland, Georgia, California and Iowa, as well as in Toronto in Canada.

Among other projects, United Way has been helping victims of the devastating 2005 hurricane on the US Gulf coast as well as working with schools and colleges across the country. United Way has annual revenues of more than USD 4 billion.

## INVESTING RESPONSIBLY

Responsible investment is a subject of increasing importance both to AEGON and its stakeholders. AEGON accepts the responsibilities it has as one of the world's leading institutional investors, and recognizes that poor social, environmental or governance practice may affect the value of the companies in which it invests. As a significant shareholder or bondholder in many companies, AEGON is well placed to promote best practice in these areas. Evidence suggests that, over the longer term, companies which rank among the leaders in social, environmental and governance practice also perform well as investments.

Most of AEGON's investments are the responsibility of AEGON Asset Management, established as a separate business unit in October 2009. AEGON Asset Management brings together AEGON investment companies in the Americas, Europe and Asia. In total, AEGON Asset Management manages more than EUR 200 billion in assets on behalf of individual investors, financial institutions, pension funds and insurance companies around the world.

Traditionally, AEGON investment practices and policies have varied from country to country. However, AEGON is now working on a project to develop a more integrated approach to responsible investment. As part of this project, AEGON Asset Management became a signatory in February 2011 to the United Nations Principles for Responsible Investment (UNPRI). Previously, only AEGON's asset management company in the United Kingdom had been a signatory to the UNPRI. AEGON Asset Management UK will, for the time being, maintain its separate membership to the principles. For more information, please see [page 86](#).

### Our approach

AEGON realizes that the value of its investments may be affected by environmental, social and governance (ESG) factors, as well as financial ones. Examples include:

- Fines due to environmental damage or pollution.
- Poor safety records, leading to industrial accidents or lawsuits.
- Losses due to high energy use or poor waste management.
- Lost income resulting from political or regulatory changes or labor disputes.

Once these factors have been identified, they may be considered by investment managers alongside more conventional financial analysis. AEGON believes that, if the company's investment managers are aware of potential ESG risks, they will make better investment decisions, both for AEGON and its clients. In line with the UN Principles for Responsible Investment, AEGON Asset Management is further developing internal structures and processes that will encourage portfolio managers to take ESG factors into account in both their analysis and decision-making.

### Engagement and exclusion

In both the United Kingdom and the Netherlands, AEGON actively engages with management of companies in which it invests, and may ultimately exclude investment in certain companies, usually those with poor social or environmental records. In its approach, AEGON understands that expectations may differ according to market, client or political and cultural background. In 2010, AEGON engaged with a total of 147 companies in the United Kingdom and the Netherlands from a range of economic sectors, including oil and gas, mining and manufacturing.

- In the **United Kingdom**, fund managers and analysts regularly meet executives from companies in which AEGON invests. Discussions focus on a broad range of subjects, including remuneration, corporate governance, environmental management standards, and sustainability reporting. The aim of this dialogue is to ensure, as far as possible, that AEGON is aware of all aspects of a company's activities and risks.
- In the **Netherlands**, AEGON operates a system that earmarks certain companies for engagement and precludes investment in others. As a matter of policy, AEGON companies in the Netherlands do not invest in manufacturers of controversial weapons, such as cluster munitions or anti-personnel mines. Nor do they invest in countries regarded as failing to uphold basic human rights. In the Netherlands, AEGON's responsible investment team works closely with Sustainalytics, a firm of independent advisors, to help shape its approach to engagement. AEGON's investment exclusion list is based on advice from Sustainalytics. The firm also monitors compliance with the human rights, labor, anti-corruption and environmental principles contained in the United Nations' Global Compact. Companies earmarked for further engagement in the Netherlands are selected primarily because of reported non-compliance with one or more of these principles.

- In the **United States**, AEGON companies have guidelines that define 'responsible investing'. In addition, these companies take steps to ensure they comply with regulations covering those countries designated by the US State Department as sponsors of terrorism - Sudan, Iran, Syria, Cuba, North Korea and Burma.

In its investment decisions, AEGON is ultimately guided by the wishes and requirements of its customers in line with the company's fiduciary duty. This also applies to exclusion policies and 'black lists'. AEGON serves both external investment clients and its own insurance companies.

AEGON Asset Management has recently intensified discussions with its customers on the issue of responsible investment. A working committee has been formed to review existing responsible investment practices in AEGON's main units - the United States, the Netherlands, the United Kingdom and Central & Eastern Europe. This committee will advise AEGON's Group Risk and Capital Committee in due course on the framework for a new responsible investment policy, which will apply across the organization. The committee will also advise on measures both to embed ESG factors in AEGON's investment decision-making processes and to develop a more consistent and integrated approach to this area. Please see [page 85](#).

#### Bringing asset management under one roof

Traditionally, AEGON had separate asset management operations in each of its country and business units. That changed in October 2009, when AEGON Asset Management was formed, bringing together asset management companies in the United States, the Netherlands, the United Kingdom and Central & Eastern Europe, as well as a joint venture in China. In total, AEGON Asset Management manages more than EUR 200 billion in assets on behalf of investors, financial institutions and pension funds. AEGON Asset Management's biggest clients are AEGON's own insurance companies. Creating a single, global asset management organization was part of broader efforts to manage AEGON as a single, international company. AEGON expects the move will allow the company to expand its investment business, improve products and services to customers and strengthen overall capital and risk management.

## GLOBAL VOTING POLICY

AEGON has a Global Voting Policy which sets out company-wide practices and principles for all its asset management operations around the world. This Global Voting Policy operates alongside existing local initiatives.

All of AEGON's voting policies, including the Global Voting Policy, are reviewed and updated periodically. AEGON asset management companies regularly report their voting activities or, alternatively, will supply voting records to customers and investors, if requested. Voting records from AEGON asset management companies in the Netherlands, the United Kingdom and Canada are publicly available via [www.aegon.com](http://www.aegon.com). AEGON does not currently publish voting records for its investment companies in either the United States or Central & Eastern Europe. Additional information on AEGON's activities as a shareholder in other companies may be found at the websites of:

- AEGON The Netherlands ([www.aegon.nl](http://www.aegon.nl))
- AEGON Capital Management (Canada) ([www.aegoncapital.ca](http://www.aegoncapital.ca))
- Transamerica Investment Management LLC ([www.timllc.com](http://www.timllc.com))
- AEGON Asset Management UK ([www.aegonam.co.uk](http://www.aegonam.co.uk))

**AEGON's UK best practice**

AEGON's efforts in the United Kingdom won recognition last year from two leading responsible investment bodies:

- In its annual UNPRI assessment, AEGON Asset Management UK ranked among the top 25% of its peer group of investment managers worldwide.
- In addition, AEGON was awarded fifth place in FairPensions' 2010 survey of UK-based asset managers. FairPensions is a non-profit organization that aims to persuade investment managers to adopt responsible investment practices.

**A MORE INTEGRATED POLICY**

AEGON has been working on a more integrated approach to responsible investment since the launch of AEGON Asset Management in October 2009. A number of short and long-term measures have now been identified and AEGON expects these to be implemented progressively over the next two years:

**Complete**

- AEGON has now signed up to the UN Principles for Responsible Investment. AEGON was previously a signatory in the United Kingdom only.
- The company has established a committee to prepare a new organization-wide responsible investment policy for recommendation to AEGON's Group Risk and Capital Committee.
- Pending completion of this policy, AEGON has sold its remaining investments in manufacturers of controversial weapons held in the company's general account portfolios.

**Short-term measures (2011)**

Introduce a more coordinated approach to engagement across AEGON's main asset management divisions in the United States, the Netherlands and the United Kingdom.

Step up integration of ESG criteria into investment decision-making processes.

Agree responsible investment policy applying to all AEGON Asset Management companies worldwide.

**Long-term measures (2011 - 2012)**

■ Fully integrate engagement practices into investment management and ensure continued alignment with AEGON's Global Voting Policy.

■ Complete integration of ESG factors into investment decision-making processes.

■ Develop policies and guidelines in specific areas such as the environment, controversial weapons, child labor and human rights, involving both internal and external stakeholders.

AEGON believes these measures, once implemented, will bring a number of benefits:

- A more coordinated approach to responsible investment.
- Improved risk management.
- Increased dialogue with key stakeholder groups.

The measures will also help AEGON meet the expectations of an increasing number of clients, particularly pension funds in Europe, that are now including ESG criteria in their requests for proposals.

### UN Principles for Responsible Investment

UNPRI was launched in 2005. To date, more than 800 investment firms have signed the principles with a total of over USD 20 trillion in assets under management. UNPRI is based on voluntary reporting around six basic principles to which signatories commit themselves:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into ownership policies and practices.
3. Seek appropriate disclosure of ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the principles.
6. Report on our activities and progress toward the principles.

AEGON Asset Management UK has been a signatory of the UNPRI since 2008, and has taken a number of steps to live up to the six principles. A copy of AEGON Asset Management UK's Responsible Investment policy and its annual UNPRI Statement are available at [www.aegonam.co.uk](http://www.aegonam.co.uk). AEGON Asset Management signed up to the UNPRI separately in February 2011.

### AEGON backs new UK stewardship code

In October 2010, AEGON signed up to a new stewardship code in the United Kingdom aimed at improving communications between investors and company boards. The code obliges asset managers who endorse it to actively 'engage' with the companies they invest in, and will encourage further integration of ESG factors into investment decision-making processes.

In total, 68 organizations have put their names to the Financial Reporting Council Stewardship Code, which is designed to strengthen corporate governance and long-term company performance. The Code, backed by the UK government, sets out a series of principles for institutional investors to follow. These cover areas such as the public disclosure of key policies and voting records, managing conflicts of interest, and cooperation between investors.

In the United Kingdom, AEGON systematically monitors companies against established best practice for both corporate governance and broader environmental and social issues. AEGON is also a member of the Association of British Insurers investment committee, and plays an active role in helping formulate best practice in UK corporate governance. Most of AEGON's third party asset management business is located in the United Kingdom.

## SOCIALLY RESPONSIBLE INVESTMENT FUNDS

AEGON offers specific Socially Responsible Investment funds to its clients in the United Kingdom, the Netherlands and Hungary. These funds screen companies for the impact they have on the environment and on society as a whole. AEGON's SRI funds also focus on 'positive screening' - investing in companies that, in individual sectors, offer the best sustainability records:

Fund	Country	Description
<b>Ethical Cautious Managed</b>	United Kingdom	<ul style="list-style-type: none"> <li>Covers UK equities and corporate bonds.</li> <li>Investment is restricted in accordance with the fund's "dark-green" investment criteria<sup>1</sup>.</li> </ul>
<b>Ethical Corporate Bond</b>	United Kingdom	<ul style="list-style-type: none"> <li>Covers higher quality sterling corporate bonds.</li> <li>Applies "dark-green" investment criteria.</li> </ul>
<b>Ethical Equity</b>	United Kingdom	<ul style="list-style-type: none"> <li>Covers UK equities, with bias toward small and mid cap stocks.</li> <li>Applies "dark-green" investment criteria.</li> </ul>
<b>AEGON Duurzaam Index Aandelen Fonds</b>	The Netherlands	<ul style="list-style-type: none"> <li>Covers global equities, applying range of sustainability criteria.</li> <li>Uses Dow Jones Sustainability Index as benchmark, excluding following sectors: alcohol, tobacco, gambling, armaments and firearms.</li> </ul>
<b>AEGON Sustainable World Equity Fund</b>	The Netherlands	<ul style="list-style-type: none"> <li>Covers global equities, applying range of sustainability criteria.</li> <li>Uses Dow Jones Sustainability Index as benchmark, excluding following sectors: alcohol, tobacco, gambling, armaments and firearms.</li> </ul>
<b>AEGON Climate Change Fund</b>	Hungary	<ul style="list-style-type: none"> <li>Covers equities in the developed world.</li> <li>Investments restricted to companies benefiting from climate change, including those involved in clean technologies, alternative energy, environmental management and agri-business.</li> </ul>

In addition to funds in the United Kingdom, the Netherlands and Hungary, AEGON's asset management joint venture in China, AEGON Industrial Fund Management Company also operates a successful SRI fund based on positive screening.

Most SRI assets in both the United Kingdom and the Netherlands are managed on behalf of policyholders. AEGON offers advice to its customers about their investments in SRI funds, but decisions on where and how much to invest are the responsibility of the customer alone. At the end of 2010, assets under management in AEGON's SRI funds in the United Kingdom, the Netherlands and Hungary totaled just over EUR 1.22 billion, up 30% from EUR 940 million the year before and equivalent to 0.3% of the company's total revenue-generating investments. The increase during the year was due primarily to net inflows in both the United Kingdom and the Netherlands.

<sup>1</sup> Further information is available on AEGON Asset Management UK's website ([www.aegonam.co.uk](http://www.aegonam.co.uk)).

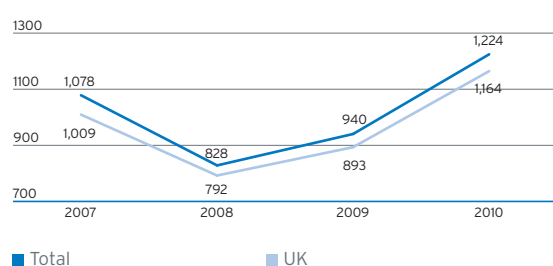
	2010	2009	% change
United Kingdom	EUR 1,164 million	EUR 893 million	30.3%
The Netherlands	EUR 58.1 million	EUR 44 million	32.0%
Hungary	EUR 2.3 million	EUR 2.5 million	(8.0%)
<b>TOTAL</b>	<b>EUR 1,224 million</b>	<b>EUR 940 million</b>	<b>30.3%</b>

Based on December 31, 2010 exchange rates.

In addition, assets under management in AEGON's Industrial Fund Management Company's, SRI fund in China totaled more than RMB 6.9 billion at the end of 2010, equivalent to just over EUR 780 million.

#### AEGON's SRI funds (assets under management)

EUR millions





## ■ ABOUT THIS REPORT

Over the past few years, AEGON has taken a number of steps to improve the quality and scope of information used in the company's annual Sustainability Report. As part of these efforts, most environmental and social data has now been integrated into AEGON's main financial data gathering systems. This report was reviewed for the second consecutive year by a team from Ernst & Young.

### SCOPE OF THIS REPORT

- ◆ AEGON's 2010 report covers the company's operations in twelve countries: Canada, China, the Czech Republic, Hungary, the Netherlands, Poland, Romania, Slovakia, Spain, Turkey, the United Kingdom and the United States. Figures from AEGON's associates and joint ventures in Mexico, Brazil, Japan and India have not been included though some qualitative information has been made available.
- ◆ Financial information contained in this report has been taken from AEGON's 2010 Annual Report and refers to all AEGON companies.
- ◆ This report covers the full year 2010, unless specifically stated otherwise. The contents are based on the results of comprehensive reporting from AEGON's country and operating units. AEGON's previous Sustainability Report was published in April 2010.
- ◆ This report was compiled by AEGON's Group Sustainability team in The Hague, with the assistance of the company's consultants Steward Redqueen, based in Haarlem.

### GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) was set up in 1997. Its aim is to develop accepted and comparable standards for corporate environmental, social and governance reporting. GRI works with an extensive network of experts in dozens of countries around the world, representing different disciplines and interests. AEGON has been an Organizational Stakeholder of the GRI since 2008.

AEGON's 2010 Sustainability Report covers most GRI indicators relating to the company's main areas of activity in this field. Based on existing standards, the GRI assesses the Application Level of this 2010 report as 'A+', an improvement from B+ in 2009<sup>1</sup>.

<sup>1</sup> There are three official application levels: C, B and A, which correspond to more or less advanced levels of reporting under the GRI Guidelines, A being the most advanced and C the least. These application levels are intended to provide readers with a guide to the extent to which GRI guidelines have been applied in the preparation of a report. At each level, companies may declare an additional '+' if they have used external assurance, as is the case with AEGON. (Source: GRI).

## GRI PRINCIPLES AND COMPLIANCE TABLE

GRI principle	What's behind the principle?	How does AEGON apply this principle?
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Information in the report covers topics and indicators that reflect the organization's significant economic, environmental and social impact, or that substantively influence the decisions of stakeholders.</li> <li>Materiality is the threshold at which an issue or indicator becomes sufficiently important that it should be reported.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON uses its stakeholder framework and annual Stakeholder Review to help determine the contents of the company's Sustainability Report. In addition, AEGON uses a 'heat map' to chart issues of relevance to the company and its main stakeholder groups.</li> </ul>
<b>Stakeholder inclusiveness</b>	<ul style="list-style-type: none"> <li>The selection of key performance indicators and the content of the report draw on the outcomes of stakeholder engagement process.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON organizes an annual Stakeholder Review and assesses all recommendations, incorporating them, where possible, into the company's reporting processes. In addition, AEGON regularly engages stakeholders at individual country and operating unit level.</li> </ul>
<b>Sustainability content</b>	<ul style="list-style-type: none"> <li>The report presents the organization's performance in the wider context of sustainability.</li> <li>The report should seek to present performance in relation to broader concepts of sustainability.</li> <li>The organization's own sustainability and business organization should be made clear.</li> </ul>	<ul style="list-style-type: none"> <li>'Our Approach to Sustainability' provides details on AEGON's strategy, policies and governance in this area and links these to the company's overall business strategy.</li> <li>This section of the report also gives further information on the broader social and economic context in which AEGON is operating.</li> </ul>
<b>Completeness</b>	<ul style="list-style-type: none"> <li>The coverage of material topics, key performance indicators and definitions of the scope of the report are sufficient to reflect significant economic, environmental and social impacts, and enable stakeholders to assess the organization's performance during the reporting period.</li> </ul>	<ul style="list-style-type: none"> <li>In this report, AEGON has provided an overview of key events for the year, as well as disclosure on reports written by external parties on the company's sustainability performance.</li> <li>The report also gives extensive details of AEGON's relations with its main stakeholder groups: customers, investors, employees, business partners and the wider community.</li> </ul>
<b>Balance</b>	<ul style="list-style-type: none"> <li>The report discusses both favorable and unfavorable results and topics.</li> <li>Information is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.</li> </ul>	<ul style="list-style-type: none"> <li>AEGON's report endeavors to address both favorable and unfavorable subjects, in line with the company's 'heat map'. Criticisms of the company's performance in 2010 may be found primarily in 'Our Approach to Sustainability'.</li> </ul>
<b>Comparability</b>	<ul style="list-style-type: none"> <li>Information in the report can be compared on a year-to-year basis.</li> <li>The organization's performance can be compared with appropriate benchmarks.</li> <li>Where available, generally accepted protocols for compiling, measuring and presenting information, including the GRI Technical Protocols for Indicators are used.</li> </ul>	<ul style="list-style-type: none"> <li>This report includes an update on progress made since the end of 2009 on AEGON's key sustainability objectives.</li> <li>Wherever possible, figures are presented on a comparable, year-on-year basis.</li> <li>Details are also included of AEGON's membership of recognized sustainability indexes.</li> </ul>

<b>Accuracy</b>	<ul style="list-style-type: none"> <li>■ The data measurement techniques and bases for calculation are adequately described, and can be replicated with similar results.</li> <li>■ The report indicates which data has been estimated and which are the underlying assumptions and techniques used to produce these estimates.</li> </ul>	<ul style="list-style-type: none"> <li>■ AEGON has a rigorous system of internal verification for all data and information appearing in the Sustainability Report.</li> <li>■ In addition, this report was reviewed by a team from Ernst &amp; Young.</li> <li>■ Wherever possible, explanations are provided with regard to methodology and the sourcing of information.</li> </ul>
<b>Timeliness</b>	<ul style="list-style-type: none"> <li>■ Information is recent relative to the reporting period.</li> <li>■ Information clearly indicates the time period to which it relates, when it will be updated, and when the last updates were made.</li> </ul>	<ul style="list-style-type: none"> <li>■ Information included in this report refers to the year 2010, unless otherwise stated.</li> <li>■ Financial data is taken from AEGON's 2010 Annual Report.</li> <li>■ The contents of this report are based on comprehensive reporting from AEGON's individual country and operating units. This reporting took place between January and March 2011.</li> <li>■ AEGON publishes its annual Sustainability Report around the same time as the publication of the company's Annual Report and ahead of the annual General Meeting of Shareholders, which takes place in May.</li> </ul>
<b>Clarity</b>	<ul style="list-style-type: none"> <li>■ The report avoids technical terms or other content likely to be unfamiliar to stakeholders.</li> <li>■ The report contains the level of information required by stakeholders, but avoids excessive and unnecessary details.</li> </ul>	<ul style="list-style-type: none"> <li>■ Recommendations from AEGON's annual Stakeholder Review are used to help determine the contents of this report.</li> <li>■ Wherever possible, explanations are provided with regard to methodology and the sourcing of any external information used. This year, AEGON has also published a summary of this report, available at <a href="http://www.corporatereporting.aegon.com">www.corporatereporting.aegon.com</a>.</li> </ul>
<b>Reliability</b>	<ul style="list-style-type: none"> <li>■ The original source of the information in the report can be identified by the organization.</li> <li>■ Reliable evidence to support assumptions or complex calculations can be identified by the organization.</li> <li>■ Representation is available from the original data or information owners.</li> </ul>	<ul style="list-style-type: none"> <li>■ Where relevant, sources of third party information are provided. AEGON's annual Sustainability Report is reviewed by Ernst &amp; Young.</li> </ul>

## GLOBAL REPORTING INITIATIVE-INDEX (G3) AEGON 2010<sup>1</sup>:

Strategy and analyses		Reference
1.1	CEO statement	<ul style="list-style-type: none"> <li>Message from AEGON's Executive Board</li> </ul>
1.2	Key impacts, risks and opportunities	<ul style="list-style-type: none"> <li>Our approach to sustainability - Who we are and what we do</li> <li>Our approach to sustainability - Business and market environment</li> <li>Our approach to sustainability - How the global insurance business is changing</li> <li>Our approach to sustainability - Dilemmas: Restructuring AEGON's UK businesses</li> <li>The wider community - Protecting the environment</li> <li>Our investors - Risk in 2010</li> <li>Our investors - Risk management</li> </ul>
Organizational profile		
2.1	Name organization	<ul style="list-style-type: none"> <li>Contact</li> </ul>
2.2	Products and services	<ul style="list-style-type: none"> <li>Our customers - AEGON's product range</li> <li>Our customers - Clearer products</li> <li>Our customers - Low income products</li> <li>Our customers - The AEGON brand</li> </ul>
2.3	Operational structure	<ul style="list-style-type: none"> <li>Our investors - Corporate governance</li> <li>Our investors - AEGON's business operations worldwide</li> <li>Our customers - AEGON's joint ventures</li> </ul>
2.4	Location headquarters	<ul style="list-style-type: none"> <li>Contact</li> </ul>
2.5	Countries located	<ul style="list-style-type: none"> <li>About this report</li> <li>Our approach to sustainability - Who we are and what we do</li> <li>Our customers - AEGON's product range</li> <li>Our people</li> </ul>
2.6	Nature of ownership and legal form	<ul style="list-style-type: none"> <li>Our investors - Corporate governance</li> <li>Website (www.aegon.com)</li> </ul>
2.7	Markets	<ul style="list-style-type: none"> <li>Our approach to Sustainability - Who we are and what we do</li> <li>Our customers</li> <li>Our customers - AEGON's product range</li> </ul>

<sup>1</sup> For ease of presentation in some cases we have summarized the text of the GRI indicators, a full definition can be found on the [GRI website](#).

2.8	Size of operations	<ul style="list-style-type: none"> <li>Our approach to Sustainability - Who we are and what we do</li> <li>Highlights of 2010 - AEGON's financial performance</li> <li>Our customers</li> <li>Our people</li> <li>Economic, social and environmental indicators</li> </ul>
2.9	Organizational changes	<ul style="list-style-type: none"> <li>Highlights of 2010 - Overview of the year</li> <li>Our people</li> <li>Our people - Restructuring</li> </ul>
2.10	Awards	<ul style="list-style-type: none"> <li>The wider community - Sky's the limit in San Francisco</li> </ul> <p>As a matter of policy, AEGON does not include awards in its annual Sustainability Report, unless material to a particular project or initiative.</p>

#### Reporting parameters

3.1	Reporting period	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.2	Previous report	<ul style="list-style-type: none"> <li>About this report</li> </ul> <p>AEGON's 2009 Sustainability Report was published on April 21<sup>st</sup>, 2010.</p>
3.3	Reporting cycle	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.4	Contact person(s)	<ul style="list-style-type: none"> <li>Contact</li> <li>Our approach to sustainability - Sustainability governance</li> </ul>
3.5	Process report content	<ul style="list-style-type: none"> <li>Our approach to sustainability - Our stakeholders</li> <li>Our approach to sustainability - Who are our stakeholders?</li> <li>Our approach to sustainability - Material issues</li> <li>Our approach to sustainability - Stakeholder Review</li> <li>About this report - GRI principles</li> </ul>
3.6	Scope	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.7	Scope limitations	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.8	Basis for reporting on joint ventures	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.9	Data measurement techniques	<ul style="list-style-type: none"> <li>About this report - GRI principles</li> </ul>
3.10	Re-statements	<ul style="list-style-type: none"> <li>The wider community - AEGON's carbon footprint</li> <li>Appendix - Economic, social and environmental indicators</li> </ul>
3.11	Reporting changes	<ul style="list-style-type: none"> <li>About this report</li> </ul>
3.12	Standard Disclosures	<ul style="list-style-type: none"> <li>About this report - GRI principles</li> <li>Global Reporting Initiative index</li> </ul>
3.13	Policy external assurance	<ul style="list-style-type: none"> <li>About this report - Assurance</li> </ul>

Governance, Commitments, and Engagement		
4.1	Governance structure	■ Our investors - Corporate governance
4.2	Chair of the highest governance body	■ Our investors - Corporate governance
4.3	Independent members	■ Our investors - Corporate governance
4.4	Mechanisms for shareholders and employees	■ Annual Report - Corporate governance
4.5	Compensation highest governance body	■ Our people - Executive Pay ■ Annual Report - Remuneration Report  Under the terms of AEGON's Executive Board remuneration policy, payment of variable compensation is linked to both financial and non-financial indicators, including both social and environmental performance.
4.6	Processes to ensure conflicts of interest are avoided	■ Annual Report - Our governance
4.7	Expertise highest governance body	■ Annual Report - Our governance - Members of the Supervisory Board
4.8	Internally developed statements	■ Our people - Code of Conduct ■ Our approach to sustainability - Who we are and what we do ■ Our approach to sustainability - Our business principles ■ Our people - Human rights
4.9	Procedures of the highest governance body	■ Our investors - Risk management ■ Annual Report - Our governance - Report of the Supervisory Board
4.10	Performance, highest governance body's	■ Our investors - Risk management ■ Our investors - Supervisory Board ■ Annual Report - Our governance - Report of the Supervisory Board
4.11	Precautionary approach	■ Our investors - Risk in 2010 ■ Annual Report - Risk management
4.12	Externally developed principles	■ Highlights of 2010 - External reports ■ Our investors - Governance codes ■ Investing responsibly ■ Investing responsibly - Our approach ■ Investing responsibly - A more integrated approach ■ The wider community - AEGON's Green Team
4.13	Memberships of associations	■ Our approach to sustainability - Business and market environment ■ Our investors - Investor and media communications ■ Our investors - Governance codes ■ Our business partners - Standards for intermediaries ■ Our business partners - Governments and regulators ■ Our business partners - Supply chain

4.14	List of stakeholder groups	<ul style="list-style-type: none"> <li>Our approach to sustainability - Who are our stakeholders?</li> </ul>
4.15	Identification and selection of stakeholders	<ul style="list-style-type: none"> <li>Our approach to sustainability - Our stakeholders</li> </ul>
4.16	Approaches to stakeholder engagement	<ul style="list-style-type: none"> <li>Our approach to sustainability - Our stakeholders</li> <li>Our approach to sustainability - Who are our stakeholders?</li> <li>Our approach to sustainability - Stakeholder Review</li> </ul>
4.17	Key topics through stakeholder engagement	<ul style="list-style-type: none"> <li>Our approach to Sustainability - Material issues</li> <li>Our approach to Sustainability - AEGON Stakeholder Review</li> </ul>

#### Economic performance indicators

EC 1	Direct economic value	<ul style="list-style-type: none"> <li>Highlights of 2010 - AEGON's financial performance</li> <li>Our people - Salaries, costs and benefits</li> <li>Our business partners - Political contributions and tax</li> <li>The wider community - Community support</li> <li>Economic, social and environmental indicators (operating costs)</li> </ul> <p>AEGON reports each year on contributions to charities, non-profit organizations and other community programs. For many of these contributions, it is not possible to place a monetary value on the impact of AEGON's support.</p>
EC 2	Financial implications due to climate change	<ul style="list-style-type: none"> <li>Investing responsibly - Our approach</li> <li>Investing responsibly - Socially Responsible Investment funds</li> </ul>
EC 3	Coverage benefit plan obligations	<ul style="list-style-type: none"> <li>Annual Report - Financial information</li> </ul>
EC 4	Financial assistance received from government	<ul style="list-style-type: none"> <li>Our business partners - Dutch State support</li> </ul>
EC 5 (add.)	Ratio of standard entry level compared to local minimum wage at significant operations	<p>Because of the nature of AEGON's business, most staff employed by the company are highly skilled. AEGON does not believe this ratio would provide any additional useful or relevant information to its stakeholders.</p>
EC 6	Policy, practices and proportion of spending on locally-based suppliers at significant operations	<ul style="list-style-type: none"> <li>Our business partners - Supply chain</li> </ul> <p>As a provider of financial products and services, AEGON does not have a supply chain in the traditional sense. Office supplies and equipment account for most of the company's spending in this area, and are almost exclusively sourced locally.</p>
EC 7	Procedures for local hiring and proportion of senior managers hired locally at significant operations	<p>Responsibility for hiring is devolved to individual business and operating units. As a result, nearly all senior managers are employed locally.</p>

EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	<ul style="list-style-type: none"> <li>■ The wider community - AEGON's Green Team</li> </ul> <p>AEGON has very few investments in infrastructure projects. The only significant exception is the company's US Real Estate Alternative Portfolio, details of which may be found in this report (please see <a href="#">page 76</a>).</p>
EC 9 (add.)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	<ul style="list-style-type: none"> <li>■ Our people - Restructuring</li> <li>■ Investing responsibly</li> </ul> <p>AEGON's most significant impact in this area is through the company's investments. AEGON's approach to responsible investment is detailed in this report. AEGON also reports other impacts, where significant. This report includes an analysis of the impact of AEGON's recent restructuring in the United Kingdom, the United States and the Netherlands.</p>

#### Environmental performance indicators

EN 1	Weight of materials used	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 2	Recycled input materials	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 3	Direct energy consumption	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> <li>■ The wider community - AEGON's Green Team</li> </ul>
EN 4	Indirect energy consumption	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 5 (add.)	Energy saved due to conservation and efficiency improvements	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> <li>■ The wider community - AEGON's Green Team</li> </ul>
EN 6	Initiatives to provide energy-efficient or renewable energy based products and services, and reduction in energy requirement as a result of these initiatives	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 8	Total water use	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 9	Water sources significantly affected by withdrawal of water	AEGON does not report on this indicator. AEGON is not a significant consumer of water and sources of water are not a significant strategic concern for the company.
EN 10	Percentage and total volume of water recycled and reused	AEGON does not report on this indicator. AEGON is not a significant consumer of water.
EN 11	Location of land in protected areas	This indicator is not relevant to AEGON. The company has no business locations or premises in protected areas or areas of outstanding natural beauty.
EN 12	Significant impacts on biodiversity	This indicator is not applicable to AEGON. As a provider of financial services, AEGON's operations do not have significant impact on biodiversity.



EN 13	Habitats protected or restored	As a provider of financial services, AEGON premises are located in urban areas or business districts. The company's operations do not have a significant effect on habitats for wildlife or areas of outstanding natural beauty.
EN 14	Strategies, current actions and future plans for managing impacts on biodiversity	See EN13
EN 15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	See EN13
EN 16	Direct and indirect greenhouse gas emissions	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> <li>■ The wider community - AEGON's carbon footprint</li> <li>■ The wider community - AEGON's Green Team</li> </ul>
EN 17	Other relevant indirect greenhouse gas emissions	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> <li>■ The wider community - AEGON's carbon footprint</li> <li>■ The wider community - AEGON's Green Team</li> </ul>
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul>
EN 19	Emissions of ozone-depleting substances	This indicator is not applicable to AEGON. As a provider of financial services, AEGON does not emit CFCs or other ozone-depleting substances. The company is, however, a member of the Carbon Disclosure Project, and regularly measures and reports its emissions of carbon dioxide.
EN 20	NOx, SOx air emissions	As a provider of financial services, AEGON's operations do not emit either nitrous or sulphur oxides.
EN 21	Total water discharge by quality and destination	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul> <p>As an 'office-based' company, AEGON does not discharge water as part of an industrial or business process. AEGON does, however, measure and report its consumption of water. The company also takes steps, where possible, to restrict this consumption.</p>
EN 22	Total weight of waste	<ul style="list-style-type: none"> <li>■ The wider community - Protecting the environment</li> </ul> <p>AEGON reports annually on its consumption of paper, as well as on efforts to increase recycling. The company does not, however, report separately on waste IT. This is because the majority of the company's IT equipment is leased, and therefore returned to suppliers when no longer required.</p>
EN 23	Total spills	This indicator is not applicable to AEGON. As a provider of financial services, AEGON operates no industrial or extractive processes that may result in spills of chemicals or other harmful substances.

EN 24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III and VIII, and percentage of transported waste shipped internationally	This indicator is not applicable to AEGON. As a provider of financial services, the company is not involved in the production or transport of hazardous waste.
EN 25	Identify, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and run-off	See EN9 and EN13
EN 26	Initiatives to mitigate environmental impacts	■ The wider community - AEGON's Green Team
EN 27	Products reclaimed at the end of the products' life	This indicator is not applicable. AEGON does not supply physical products that might be recycled or reclaimed at the end of their useful lives
EN 28	Monetary value of significant fines	■ Our customers - Customer complaints
EN 29	Significant environmental impacts of transport (add.)	■ The wider community - Protecting the environment
EN 30	Total environmental protection expenditures and investments by type	■ The wider community - Protecting the environment

#### Social Indicators

##### Labor practices and decent work

LA 1	Breakdown of total workforce	■ Our people
LA 2	Employee turnover	■ Our people - Employee turnover
LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	AEGON does not report on this indicator. Generally speaking, part-time employees are offered similar benefits to those working full-time, though some of these benefits are calculated on a pro rata basis according to the number of hours worked.
LA 4	Employees covered by collective bargaining	■ Our people - Human rights
LA 5	Minimum notice period regarding operational changes, including whether specified in collective agreements	■ Our people - Restructuring  In this report, AEGON has included details of notice periods and other measures taken to support employees during periods of restructuring, including consultation with trade unions and other employees.
LA 6	Percentage of employees represented in formal joint management-worker health committees that help monitor and advise on occupational health and safety programs	AEGON does not report on this indicator. Responsibility for many of AEGON's health and safety programs lies with the company's individual operating units. Health and safety issues are discussed in workers' councils and other, similar structures, but information on these discussions is not collated at a company level.
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism	■ Our people - Absenteeism
LA 8	Risk-control programs regarding serious diseases	■ Our people - Absenteeism

LA 9	Health and safety topics covered in formal agreements with trade unions	AEGON does not report on this indicator since collective bargaining agreements cover only a minority of the company's employees (24%).
LA 10	Training per employee category	<ul style="list-style-type: none"> <li>Our people - Empowering our employees</li> <li>Our people - Recruitment and training</li> </ul>
LA 11 (add.)	Programs for skills management and life-long learning	<ul style="list-style-type: none"> <li>Our people - Empowering our employees</li> <li>Our people - Recruitment and training</li> </ul>
LA 12 (add.)	Performance and career development reviews	<ul style="list-style-type: none"> <li>Our people - Recruitment and training</li> </ul>
LA 13	Gender breakdown of governance bodies	<ul style="list-style-type: none"> <li>Our people - Diversity and non-discrimination</li> </ul>
LA 14	Ratio of basic salary of men to women	Not applicable. AEGON does not report on this indicator primarily because the company's individual operating and country units use different grading systems and work scales, making comparison difficult. Details of AEGON's policies with regard to diversity and non-discrimination may be found in 'Our people - Diversity and non-discrimination'.

#### Human Rights

HR 1	Significant investment agreements that include human rights clauses	<ul style="list-style-type: none"> <li>Our people - Human rights</li> </ul> <p>Generally, AEGON does not have investment agreements that include such human rights elements. However, all agreements entered into by AEGON must comply with the terms of the company's Human Rights Policy.</p>
HR 2	Screening of suppliers on human rights	<ul style="list-style-type: none"> <li>Our business partners - Supply chain</li> </ul>
HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	AEGON does not report on this indicator. The company has a human rights policy, which applies to all its operations worldwide. A respect for human rights is included in the company's e-learning and training programs, as well as its Code of Conduct.
HR 4	Incidents of discrimination	<ul style="list-style-type: none"> <li>Our people - Diversity and non-discrimination</li> </ul>
HR 5	Operations identified as having risk for incidents of violations of freedom of association and collective bargaining	AEGON has not identified any operations as having risks in this area. AEGON requires all its businesses to adhere to the company's policy on human rights, as well as the UN Declaration of Human Rights and the provisions on human rights and labor standards contained in the UN Global Compact.
HR 6	Operations identified as having risk for child labor	Please see HR5. With regard to child labor, AEGON does not operate in a high-risk sector.
HR 7	Operations identified as having risk for forced labor	Please see HR5. With regard to forced labor, AEGON does not operate in a high-risk sector.

HR 8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	AEGON does not report on this indicator. The majority of the company's operations are located in countries where there is a relatively low risk of human rights abuse. In other countries, local management may introduce additional training programs to address specific weaknesses. In all countries, AEGON expects its security personnel to abide by local laws and regulations.
HR 9	Total number of incidents of violations involving rights of indigenous people and actions taken	AEGON does not report on this indicator. AEGON's businesses employ a high percentage of local staff, and abide by local laws and regulations. As a provider of financial services, AEGON is not involved in legal disputes over land ownership or the impact of the company's businesses on local communities.

### Society

SO 1	Impact on communities	<ul style="list-style-type: none"> <li>■ The wider community - Community support</li> <li>■ Our people - Restructuring</li> </ul>
SO 2	Number of business units analyzed for risks related to corruption	<ul style="list-style-type: none"> <li>■ Our people - Code of conduct</li> <li>■ Our people - Tackling fraud</li> <li>■ Our business partners - Standards for intermediaries</li> <li>■ Our investors - Risk in 2010</li> </ul>
SO 3	Employees trained in organization's anti-corruption policies and procedures	<ul style="list-style-type: none"> <li>■ Our people - Code of conduct</li> <li>■ Our business partners - Standards for intermediaries</li> </ul>
SO 4	Actions taken in response to incidents of corruption	<ul style="list-style-type: none"> <li>■ Our people - Tackling fraud</li> <li>■ Our business partners - Standards for intermediaries</li> </ul>
SO 5	Public policy positions and participation in public policy development	<ul style="list-style-type: none"> <li>■ Our approach to sustainability - Business and market environment</li> <li>■ Our business partners - Governments and regulators</li> <li>■ Our business partners - Dutch State support</li> </ul>
SO 6 (add.)	Total value of contributions to political institutions	<ul style="list-style-type: none"> <li>■ Our business partners - Political contributions and tax</li> </ul>
SO 7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	<ul style="list-style-type: none"> <li>■ Our business partners - Standards for intermediaries</li> </ul>
SO 8	Monetary value of significant fines	<ul style="list-style-type: none"> <li>■ Our customers - Customer complaints</li> </ul> <p>AEGON reports annually on the value of any significant fines or other sanctions imposed as a result of non-compliance with laws or regulations. In this report, AEGON has included details of a GBP 2.8 million fine imposed by regulators in the United Kingdom for "poor administrative procedures".</p>

Product responsibility		
PR 1	Improving health and safety impacts across life cycle	AEGON does not believe this indicator is applicable to the financial services sector.
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by types of outcome	AEGON does not believe this indicator is applicable to the financial services sector.
PR 3	Product information and labeling	<ul style="list-style-type: none"> <li>■ Our customers - Clearer products</li> <li>■ Our customers - Improving products</li> <li>■ Our customers - Customer loyalty</li> <li>■ Our customers - Financial literacy</li> <li>■ Our customers - Market conduct</li> </ul>
PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by types of outcome	<ul style="list-style-type: none"> <li>■ Our business partners - Standards for intermediaries</li> <li>■ Our customers - Improving products</li> </ul>
PR 5 (add.)	Customer satisfaction	<ul style="list-style-type: none"> <li>■ Our customers - Improving products</li> <li>■ Our customers - Customer loyalty</li> <li>■ Our customers - Customer complaints</li> </ul>
PR 6	Marketing communications	<ul style="list-style-type: none"> <li>■ Our customers - Customer loyalty</li> <li>■ Our customers - Brand strategy and governance</li> <li>■ Our customers - Sponsorships</li> <li>■ Our investors - Investor and media communications</li> </ul>
PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by types of outcome.	<ul style="list-style-type: none"> <li>■ Our business partners - Standards for intermediaries</li> <li>■ Our customers - Improving products</li> </ul>
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<ul style="list-style-type: none"> <li>■ Our customers - Customer complaints</li> </ul> <p>AEGON does not report on this indicator separately. AEGON does however report the total number of customer complaints on an annual basis.</p>
PR 9	Monetary value of significant fines	<ul style="list-style-type: none"> <li>■ Our customers - Customer complaints</li> </ul>

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**Financial Services Sector Specific Performance Indicators**


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FS 1	Policies with environmental and social components	<ul style="list-style-type: none"> <li>■ Our customers - Low income products</li> <li>■ Our customers - Financial literacy</li> <li>■ Our people - Code of Conduct</li> <li>■ Our business partners - Supply chain</li> <li>■ Our business partners - Standards for intermediaries</li> <li>■ The wider community - Protecting the environment</li> <li>■ Investing responsibly - Our approach</li> </ul>
FS 2	Procedures for assessing and screening environmental and social risks	<ul style="list-style-type: none"> <li>■ Investing responsibly - Our approach</li> <li>■ Investing responsibly - A more integrated policy</li> <li>■ Investing responsibly - Socially Responsible Investment funds</li> </ul>
FS 3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	<ul style="list-style-type: none"> <li>■ Our business partners - Standards for intermediaries</li> </ul>
FS 4	Processes for improving staff competency to implement the environmental and social policies and procedures	<ul style="list-style-type: none"> <li>■ Our people - Diversity and non-discrimination</li> <li>■ The wider community - AEGON's Green Team</li> </ul> <p>Generally, AEGON employees are not expected to implement agreements with significant environmental or social requirements. Exceptions include Human Resources and Procurement, where AEGON employs subject-matter specialists.</p>
FS 5	Interactions with clients / investees / business partners regarding environmental and social risks and opportunities	<ul style="list-style-type: none"> <li>■ Investing responsibly - Our approach</li> <li>■ Investing responsibly - A more integrated policy</li> </ul> <p>Most of AEGON's opportunity to interact in this area is through the company's investments. In the United Kingdom and the Netherlands, AEGON has an engagement program with those companies AEGON invests in, focusing on, among other things, environmental and social risks.</p>
FS 6	Percentage of the portfolio for business lines by specific region, size and by sector	<ul style="list-style-type: none"> <li>■ Annual Report - Our businesses</li> </ul>
FS 7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	<ul style="list-style-type: none"> <li>■ Our customers - Low income products</li> </ul> <p>AEGON's life insurance, pension and investment products have a definite social benefit in helping the company's customers save and manage their long-term finances. Aside from that, AEGON does have a number of products aimed at those on low incomes.</p>
FS 8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	<p>As a life insurer and provider of pensions and investments, AEGON does not supply significant products and services that deliver specific environmental benefits.</p>

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FS 9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	<ul style="list-style-type: none"> <li>About this report</li> </ul> <p>AEGON's annual Sustainability Report is reviewed by the company's external auditors, Ernst &amp; Young. In addition, AEGON has a number of other audits and self-assessments, including:</p> <ul style="list-style-type: none"> <li>Lloyds Register's assessment of AEGON's environmental management systems for buildings in the United Kingdom and the Netherlands.</li> <li>Quarterly risk reports, which cover operational, environmental and social risks.</li> <li>Annual assessment of AEGON's performance as a signatory to the UN Principles for Responsible Investment.</li> <li>Annual evaluation and review of the company's donations policy.</li> </ul>
FS 10	Percentage and number of companies which have interacted with the company on environmental and social issues	<ul style="list-style-type: none"> <li>Highlights of 2010 - External reports</li> <li>Investing responsibly - Our approach</li> </ul>
FS 11	Percentage of assets subject to positive and negative environmental or social screening	<ul style="list-style-type: none"> <li>Investing responsibly - Socially Responsible Investment funds</li> </ul> <p>AEGON reports each year on the percentage of assets held in the company's SRI funds in the United Kingdom, the Netherlands and Hungary. These assets are subject to negative screening. AEGON also reports on assets in the company's joint-venture SRI fund in China, based on positive screening.</p>
FS 12	Voting policies applied to environmental and social issues	<ul style="list-style-type: none"> <li>Investing responsibly - Global Voting policy</li> </ul>
FS 13	Access points in low populated or economically disadvantaged areas	<ul style="list-style-type: none"> <li>Our customers - Low income products</li> </ul> <p>AEGON units provide a number of products and services specifically aimed at vulnerable groups or customers on low incomes. Details may be found in the 'Our customers' section of this report. For customers in sparsely populated areas, AEGON operates through network of brokers, agents, financial advisors and other intermediaries. Increasingly, the company also provides information and other services online.</p>
FS 14	Initiatives to improve access to financial services for disadvantaged people	<ul style="list-style-type: none"> <li>Our customers - Low income products</li> </ul>
FS 15	Policies for the fair design and sale of financial products and services	<ul style="list-style-type: none"> <li>Our customers - Clearer products</li> <li>Our customers - Improving products</li> </ul>
FS 16	Initiatives to enhance financial literacy	<ul style="list-style-type: none"> <li>Our customers - Financial literacy</li> </ul>

Disclosure on management approach			Chapter			
	Materiality	Responsibility	Objectives and performance	Policy	Training	Monitoring
<b>Economic</b>	<ul style="list-style-type: none"> <li>■ Economic performance</li> <li>■ Market presence</li> </ul>	Executive Board	Annual Report	Annual Report Appendix: Business Principles	Annual Report	Annual Report
<b>Environment</b>	<ul style="list-style-type: none"> <li>■ Paper</li> <li>■ Energy</li> <li>■ Water</li> <li>■ Waste</li> </ul>	Management Board	The wider community	The wider community Appendix: Business Principles		The wider community
<b>Labor rights</b>	<ul style="list-style-type: none"> <li>■ Non-discrimination</li> <li>■ Diversity</li> <li>■ Training</li> <li>■ Fair wages</li> <li>■ Employee satisfaction</li> <li>■ Health and Safety</li> </ul>	Management Board	Our people	Our people Appendix: Business Principles	Code of Conduct	Our people
<b>Human rights</b>	<ul style="list-style-type: none"> <li>■ Ensuring basic human rights and freedoms</li> </ul>	Management Board	Our people Our customers	Our people - human rights Appendix: Business Principles	Code of Conduct	Our people
<b>Society</b>	<ul style="list-style-type: none"> <li>■ Customers</li> <li>■ Distribution partners</li> <li>■ Suppliers</li> <li>■ Government and regulators</li> <li>■ Community engagement</li> </ul>	Management Board	Our customers Our business partners The wider community	Our customers Our business partners The wider community Appendix: Business Principles		Our customers Our business partners The wider community
<b>Product Responsibility</b>	<ul style="list-style-type: none"> <li>■ Compliance</li> <li>■ Product transparency</li> <li>■ Financial literacy</li> <li>■ Investing responsibly</li> </ul>	Management Board	Our customers Our investors Investing responsibly	Our customers	Code of Conduct	Our business partners



## ASSURANCE

This report is based on information and data from AEGON's country and operating units. These units are responsible for collecting and submitting data used in the report. All information is aggregated and reported on a company-wide basis, subject to internal verification. In 2008, AEGON decided to introduce limited **external assurance** for its annual Sustainability Report. The 2010 report is the second report to have been reviewed by the company's external auditor. Assurance is provided by Ernst & Young Accountants LLP, AEGON's present financial auditor. For the statement of the auditor, please see below.

Alongside this process, AEGON organizes a yearly **Stakeholder Review** to assess the content and relevance of the report. So far, three such reviews have taken place. AEGON intends to organize its fourth Stakeholder Review in the second half of 2011. For details on the company's Stakeholder Review, please see [page 21](#).

## ASSURANCE REPORT

TO: THE MANAGEMENT OF AEGON N.V.

### Engagement

We have performed an assurance engagement in accordance with Standard 3410, 'Assurance standard relating to social reports'. Our assurance engagement aimed to obtain limited assurance that the information in the Sustainability Report 2010 of AEGON N.V. (hereafter: Sustainability Report) is, in all material respects, a reliable and adequate representation of the policies pursued, business operations, events and performance with respect to corporate responsibility during 2010. Our engagement did not include any quantitative or qualitative information relating to the prior years. In addition, we do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.

The procedures performed in order to obtain limited assurance aim to verify the plausibility of information and are more limited than procedures to obtain reasonable assurance. Therefore less assurance is obtained than in an engagement to obtain reasonable assurance.

### Criteria

We assessed the Sustainability Report against the Sustainability Reporting Guidelines (G3) published by the Global Reporting Initiative (hereafter: GRI) and AEGON N.V.'s own reporting policies as set out in the chapter 'About this report' on [page 89](#). We believe that these criteria are suitable for our assurance engagement.

### The management's responsibility

Management is responsible for the preparation of the Sustainability Report and the information therein in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of a Sustainability Report that is free of material misstatements, selecting and applying appropriate reporting policies that include the GRI reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by management, the scope of this Sustainability Report and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out in the chapter 'About this report', on [page 89](#).

### The auditor's responsibility

Our responsibility is to express a conclusion with regard to the Sustainability Report based on the engagement described above. We conducted our limited assurance engagement in accordance with Dutch law and the requirements set out therein with respect to the independence of assurance team members.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- Obtaining an understanding of the sector and the relevant corporate responsibility issues specific for the organization.
- Assessing the acceptability of the reporting principles used, and the significant estimates and calculations made in preparing the Sustainability Report and its consistent application.
- Performing analytical procedures in order to assess the quantitative data.
- Obtaining an understanding of the design and existence of systems and methods used to collect, process and consolidate the reported information, including the consolidation process.
- Testing, on a sample basis, the substantiation of the quantitative and descriptive information in the Sustainability Report and review of relevant documents.
- Conducting interviews with responsible company officers in order to assess the plausibility of the quantitative and descriptive information in the report.
- Evaluating the overall presentation of the Sustainability Report against the criteria mentioned above.

## Conclusions

Based on our procedures performed to obtain a limited assurance, nothing came to our attention that causes us to believe that the information in the Sustainability Report, in all material aspects, does not provide a reliable and sufficient representation of the policies pursued, business operations, events and performance with respect to corporate responsibility during 2010, in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative and the documented reporting policy of AEGON N.V.

The Hague, April 8, 2011

**FOR ERNST & YOUNG ACCOUNTANTS LLP**

D. A. de Waard

## ECONOMIC, SOCIAL AND ENVIRONMENTAL INDICATORS

	Unit	2010	2009	2008
<b>Economic</b>				
Total income	EUR million	49,179	46,409	7,526
Total charges and costs	EUR million	47,306	46,896	8,611
Net income	EUR million	1,760	204	(1,082)
Underlying earnings before tax	EUR million	1,972	1,185	1,573
Net underlying earnings	EUR million	1,553	1,005	962
Value of new business	EUR million	555	767	837
Earnings per share	EUR	0.83	(0.16)	(0.92)
Total dividend per share	EUR	NA	NA	0.30
Return on equity	Percentage	9.8%	5.7%	4.4%
Total revenue-generating investments	EUR billion	413.2	361.0	331.8
Total SRI assets under management*	EUR million	1,224	940	699
SRI as % of total revenue-generating investments	Percentage	0.30%	0.26%	0.21%
Employment expenses	EUR million	2,151	2,035	1,899
Standard & Poor's senior debt rating (AEGON N.V.)		A-	A-	A+
Amount spent on goods and services	EUR million	1,470	1,470	1,640
Tax payments	EUR million	(274.1)	345.1	(436.7)

\* Socially Responsible Investments, not including AEGON Industrial Fund Management Company's SRI fund in China, which at the end of 2010 had just over EUR 780 million in assets under management.

	Unit	2010	2009	2008
<b>Environmental</b>				
CO <sub>2</sub> emissions (from gas and electricity)	Metric tons	86,425	88,155	88,954
- Per employee	Metric tons	3.15	3.11	3.13
Gas consumption	Million cubic meters	3.6	3.7	4.1
Electricity consumption	GWh	150.9	154.6	175.0
Business travel by air	Million kilometers	115.7	107.0	134.6
CO <sub>2</sub> emissions from air travel	Metric tons	13,440	12,339	17,318
- Per employee	Metric tons	0.49	0.43	0.55
Paper consumption	Metric tons	4,331	5,077	4,990
- Per employee	Kilograms	158	179	159
Use of recycled paper	Percentage	38%	20%	14%
Water use	Cubic meters	455,770	434,915	496,143
- Per employee	Liters/day	72.4	66.6	68.6
Waste production	Metric tons	4,418	3,660	4,516
- Per employee	Kilograms	160.8	129.0	143.7
Recycled waste	Percentage	69%	58%	54%

Please note that figures for AEGON's consumption of gas, electricity and water in the United States for both 2008 and 2009 have been restated to reflect a change in scope. Figures for these years and 2010 now include the following:

- Buildings owned by AEGON with 100 employees or more.
- Primary data centers supporting multiple locations.
- Other offices where AEGON leases the majority of the building, has 100 employees or more, has some control over energy and water use, and pays utility bills directly.

These figures have been extrapolated to cover 100% of AEGON's US workforce. This restatement has, in addition, led to an adjustment in figures for AEGON's emissions of carbon dioxide.

- Please note that figures for AEGON's consumption of gas and water in the United Kingdom for both 2008 and 2009 have been restated following a data error.
- Figures for water use in China have been included on a pro rata basis.

	Unit	2010	2009	2008
<b>Social</b>				
Total employees		27,474	28,366	31,425
Employee turnover	Percentage	15%	13%	14%
Female / male breakdown	Ratio	51% / 49%	54% / 46% <sup>1</sup>	54% / 46%
Female / male senior managers	Ratio	24% / 76%	24% / 76%	23% / 77%
Part-time employees	Percentage	10.6%	9.9%	12.1%
Employees on fixed-term contracts	Percentage	8%	NM	NM
Training days	Average number of days	3.76	4.02	4.19
Training costs	EUR million	13.4	12.5	19.9
- Per employee	EUR	488	440	645
Absentee rate	Percentage	2.0%	2.3%	2.5%
Number of work-related injuries and illnesses		292	328	375
Dow Jones Sustainability index overall score <sup>2</sup>		70	68	69
Number of customer complaints <sup>3</sup>		53,470	64,963	86,196
Brand value <sup>4</sup>	EUR billion	4.0	3.3	NM
Total donations and community support	EUR million	6.6	7.3	10.7
- % of net income	Percentage	0.4	3.6	NA

NM - not measured; NA - not available or not applicable

<sup>1</sup> Please note that this figure has been restated because of a miscalculation in the Netherlands in 2009.

<sup>2</sup> For further details, please see [page 5](#).

<sup>3</sup> This figure covers our businesses in the Americas, the Netherlands, the United Kingdom, Spain, Hungary, Poland, and China as well as the company's variable annuities operations in Ireland and AEGON Asset Management.

<sup>4</sup> Data published by Brand Finance.

## BUSINESS PRINCIPLES

AEGON's Business Principles are based on the way we do business in the marketplace, in the workplace and in the community.

## THE COMPANY

AEGON's corporate strategy emphasizes the importance of local knowledge and empowerment, within an expanding global group.

- We empower our local business units to identify and provide products and services designed to help meet the long-term needs of our customers, using distribution channels suited to their local markets.
- We take pride in balancing a local approach with the power of an expanding global operation.
- We operate as a responsible company in an ever-changing business environment.
- We provide a strong capital base to meet our long-term financial obligations.
- We make decisions that are in the interests of our stakeholders.
- We are accountable to our stakeholders for clear and transparent disclosure of our management practices, policies and results.
- We identify and manage risk prudently.
- We provide timely and accurate information to our customers, shareholders, employees, regulators and business partners.
- We comply with applicable laws and regulations, and we proactively promote such compliance.
- We set clear internal guidelines and policies relating to the way we behave as a responsible company with a global reach.

## THE MARKETPLACE

We seek to build long-term relationships with our customers, business partners and regulators based on open, honest and transparent business principles.

- We treat our customers fairly.
- We provide clear, transparent and financially sound products and services that meet our customers' evolving long-term needs.
- We seek to build long-term relationships with our customers.
- We strive to provide customers with the information they need to make the right financial decisions for themselves and their families.
- We also support financial education initiatives and strive to promote a better understanding of the financial services industry.
- We strive to deal with business partners who share our core values.
- We are committed to fair competition.
- We recognize the importance of confidentiality and take measures to keep confidential the personal information relating to our customers, employees, business partners and shareholders.

## THE WORKPLACE

Our goal is to be an employer of choice, to create a work environment where people are able to realize their potential and where both individuality and diversity are respected.

- We promote ethical behavior and encourage the reporting of any illegal or unethical behavior.
- We promote respect for people and their work environment.
- We actively enforce policies that promote non-discrimination in the workplace and encourage diversity.
- We hire, promote and pay our employees fairly and do so based on their qualifications, their experience and their ability to do a job.
- We provide training to encourage our employees to reach their potential.
- We require our employees, within the scope of their professional activities for the company, to act in the best interests of all our stakeholders and abide by these business principles that promote our core values: *respect, quality, transparency and trust*.
- We provide employees with a safe place to work.
- We encourage personal and career advancement.
- We allow our employees the free right of association.

## THE WIDER COMMUNITY

- We have a long-term commitment to the communities in which we operate, creating job opportunities and contributing to sustainable economic growth.
- We support good causes.
- We help protect and promote human rights in the countries in which we operate.
- We are active corporate citizens in the communities in which we operate.
- We actively support and respect the protection of internationally proclaimed human rights and ensure we are not complicit in human rights abuses.
- We invest prudently and responsibly.
- We strive to respect the environment and undertake initiatives to promote greater environmental responsibility.

## CONTACT

AEGON welcomes opinions on both the content of this report and the company's overall performance in the area of sustainability.

All comments and opinions should be sent to [response@aegon.com](mailto:response@aegon.com)

If you wish to contact us directly, our address and telephone number are:

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## 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. We undertake 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 our 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 we hold.
- The frequency and severity of insured loss events.
- Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of our insurance products.
- 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.
- Increasing levels of competition in the Americas, the Netherlands, the United Kingdom and new 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, acts of war and pandemics.
- Changes in the policies of central banks and/or governments.
- Lowering of one or more of our debt ratings issued by recognized rating organizations and the adverse impact such action may have on our ability to raise capital and on our liquidity and financial condition.
- Lowering of one or more of insurer financial strength ratings of our insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity.
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital we are required to maintain.
- 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.
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including our ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions.
- Our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.
- Our inability to obtain consent from the Dutch Central Bank to repurchase our Core Capital Securities; and
- Our inability to divest Transamerica Reinsurance on terms acceptable to us or the failure of any of the conditions for completion of such divestment agreement.

Further details of potential risks and uncertainties affecting the company are described in the company's filings with Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report on Form 20-F. 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.