

Aegon N.V. Responsible Investment Policy 2018

The Hague, October 2018



Introduction

Aegon N.V. (hereafter referred to as “Aegon”), as a global insurance company, asset manager and investor, has a large impact on society and the environment. By taking an active approach to consider environmental, social and governance (ESG) issues in our investment decisions, we reduce risks and explore new opportunities to serve our clients’ interests and society at large.

Aegon is a significant investor in a large number of industries and companies, and takes its responsibility as a capital provider seriously. Aegon aims to contribute broadly to wellbeing and sustainable development through ESG integration, active ownership, impact investing and our commitment - through Aegon Asset Management - to the Principles for Responsible Investment (PRI). We encourage the development of products that have a specific socially responsible investment (SRI) or impact purpose as a way to leverage our expertise in this field and to meet client demand.

This policy forms the core of Aegon’s responsible investment beliefs and is applicable to operations in all countries where we are active. Operating entities within the Aegon group may implement additional mechanisms to identify, manage and mitigate ESG risks, within the context of local norms and stakeholder expectations. In collaboration with analysts, portfolio managers and (external) experts, Aegon will develop separate ESG guidelines for sensitive sectors where ESG factors are perceived to have an increased financial impact. These guidelines will be complementary to Aegon’s Responsible Investment Policy, and cover the specific industries with material ESG risks that are relevant to Aegon.

Responsible business strategy

Responsible investment (RI) is a key element of Aegon’s company-wide responsible business strategy. Through the investment decisions that we make we meet the commitments to our customers while contributing to economic growth and sustainable capital markets. Being a responsible company means that we integrate sustainability and responsible business principles into our core business and engage with our employees to make this an integrated effort.

Aegon is aligning its responsible business strategy with its core purpose by focusing on the intersection of the key areas of financial security, risk and well-being. Where opportunities arise, this focus will be reflected in our approach to responsible investment.

Governance

Execution and implementation

The Management Board of Aegon has ultimate responsibility for the execution of this policy, and for the integration of this policy into Aegon's investment strategy and into other relevant company processes and practices. Also, the Management Board has the responsibility to ensure that this policy at all times reflects the corporate values.

Aegon's RI Strategy Committee (RISC), which is chaired by a Management Board member, reports to the Management Board, and is responsible for determining the overall strategy and approach for RI and overseeing the implementation of this policy. Practical implementation of the policy is the responsibility of the RI Technical Committee (RITC), which oversees monitoring of compliance with the exclusion list and identifies topics for company engagement. The RITC and the RI team at AAM work closely with risk management and compliance functions to ensure that RI activities are made part of company reporting, compliance and risk management activities where possible.

Reporting & Communications

Aegon regularly reports on RI activities. The Aegon Annual Review provides in-depth information on financial and non-financial performance of Aegon, including sustainability and RI performance like ESG integration, impact investing and stewardship. The annual Aegon Asset Management Responsible Investment Report provides further detail on RI activities. On our website, we disclose how we vote on the shares we own and we regularly report on the progress we make with our engagement program. Through these communications Aegon aims to explain its commitment to careful analysis and thoughtful decision-making.

Transparency

With this policy, we aim to contribute to sustainable and responsible capital markets. Therefore, we expect companies to report on material sustainability issues, preferably in an integrated way, and linked to the company's business strategy. Reporting should consist of all relevant economic, social and environmental information that can positively or negatively impact shareholders and society. This information enables us to make better informed investment decisions while staying close to our long term investment horizon.

Stakeholder engagement

This policy reflects Aegon's fundamental RI beliefs. However, we also value the opinion of our clients, regulators, business partners and other stakeholders, including NGOs, and aim to be in contact with our stakeholders continuously. This exchange of ideas provides relevant input for our internal discussions and positioning on ESG issues.

Local Policies and Governance & Customization

Although this RI policy sets minimum requirements for the Aegon Group, we recognize that views on ESG standards and RI practices can vary greatly by country. We aim to develop a RI approach that closely reflects the preferences and standards of our clients and other stakeholders in all countries where we have businesses.

In addition, as long as there is no conflict with this policy, Aegon entities are encouraged to develop supplemental RI policies, RI governance and RI activities or products to meet local requirements or customer demand, ensure decision-making that is closely linked to the business, and to maintain relationships with local stakeholders.

Update procedure

RI and sustainability are rapidly developing areas. Therefore, this policy will be reviewed and (if necessary) updated on an annual basis by the relevant responsible investment committees. Updates and previous changes to this policy are listed in the change log at the end of this document

Sector guidelines

In collaboration with analysts, portfolio managers and other (internal or external) experts, Aegon will develop separate ESG guidelines for sensitive sectors, where ESG factors are perceived to have an increased financial impact. Developing separate guidelines allows for involving those people who are responsible for investment analysis and making actual investment decisions. Their experience and insights are critical for successful implementation of the sector policies.

Scope

This policy applies to all financial assets that are managed by our operating entities where Aegon has management control. Joint-venture companies where Aegon does not have management control are out of scope, but we will use our influence to encourage application of this policy, or elements thereof.

The policy applies to the following asset categories:

- ◆ General account (GA) - assets on balance sheet of Aegon companies. Aegon selects investments, funds or managers for these assets.
- ◆ Separate Account (SA) / Insurance-linked - assets on balance sheet of Aegon companies made on behalf of our clients, linked to products sold by Aegon insurance companies. Aegon selects investments, funds or managers for these products.
- ◆ Third-party - revenue generating assets under administration or management by Aegon companies that are not on the balance sheet of Aegon.

For all three asset categories, the assets can be managed by Aegon companies, such as our primary asset manager Aegon Asset Management, or external managers or -sub-advisors. Where possible Aegon (including the Aegon fund platforms) will provide information on SRI, ESG or impact characteristics of products to allow clients to include these aspects in their decision-making.

Details on what we expect from external managers or sub-advisors for each of the categories above are provided throughout the text of this policy and in Appendix 1 (Asset Categories and Policy Applicability).

When engaging with current and prospective clients, we provide clarity on this Policy and how it applies to investments made on their behalf.

Aegon RI Policy and external asset managers

Aegon requires external managers to implement this policy in relation to the assets that they are mandated to manage on behalf of Aegon entities or our external clients. In assessing this, Aegon will consider the following aspects:

- ◆ ESG integration: having developed an approach to integrating ESG factors in their investment process.
- ◆ Active ownership: demonstrating a commitment to active ownership, engagement and voting.
- ◆ Exclusions: where it regards Aegon general account assets, applying the Aegon exclusion list.
- ◆ Principles for Responsible Investment (PRI): being a signatory to the PRI or demonstrating a commitment to similar principles.
- ◆ A form of communication or reporting about the asset manager's RI activities.

The type of asset category that the external manager manages and the particulars of the investment mandate will determine what this means in practice and will need to be assessed on a case-by-case basis. Appendix 1 provides further detail. Existing mandates and relationships will be reviewed and brought into line with the policy where possible. New mandates and relationships are required to meet the standards of this policy on a 'comply or explain'-basis.

RI Process

ESG integration

The sustainability performance of companies can impact their ability to create long term value for investors, and therefore we consider ESG integration an important instrument to improve the risk-return profile of the investments we make. At Aegon, we structurally integrate ESG factors into our investment decision making process, across all asset classes. The focus is on ESG factors that are material from a financial or risk point of view. It is up to the portfolio managers, analysts and others involved in the investment research and decision-making process to determine what weight these factors should be given.

Access to sustainability information is critical. All our analysts and portfolio managers have access to ESG data and are provided with ESG training where required.

Engagement and stewardship

To promote the long term success of companies, Aegon acknowledges the importance of investor stewardship. It is in the best interest of our clients that we monitor the companies in which we invest, that we vote on the shares that we hold, and that we engage with companies on issues like strategy, risk and corporate governance.

We believe that actively engaging with companies to improve sustainability performance and corporate behavior is more effective than excluding companies from our investment universe. When a company does not meet our RI standards, we enter into dialogue with company management. During this engagement process, we share our concerns or the ESG risks that we identified for the company and make suggestions for improvement. After the engagement, we closely follow the progress made by the company.

We distinguish three reasons for engagement:

- 1) Companies appear not to comply with standards as outlined in this Policy;
- 2) Companies show poor ESG performance;
- 3) Thematic engagement, focusing on strategic priorities and include critical subjects.

Exclusion

When companies are involved in certain controversial activities, we may refrain from investment in those companies. For example, we exclude companies from our investment universe when they are involved in controversial weapons (see our controversial weapons policy below). Also, we consider divesting from and excluding companies when our efforts to change company behavior do not make sufficient progress. Aegon recognizes that views on exclusion differ across countries and generally does not apply its exclusion list to assets managed on behalf of our clients, recognizing that the asset owner should have the ultimate decision on these matters. Where possible and where allowed by local rules and regulations, Aegon will engage in dialogue with external clients about the possibility of applying the Aegon exclusion list or other exclusions as determined by the client.

Aegon is responsible for setting the exclusion list. Individual Aegon units may add companies, countries or sectors to the list in order to meet local requirements or preferences of individual clients or client groups.

ESG Positions

We integrate ESG factors into our investment process, alongside financial and other relevant investment considerations. Aegon believes that sustainability information can have an impact on the risks and opportunities associated with the investments we make.

We recognize several recurring themes that regularly prompt questions from clients, employees and other stakeholders where we feel compelled to take a company position; these are outlined below. In developing our company position on these themes we follow internationally recognized standards and norms where possible.

Tobacco

Smoking poses a big threat to public health. Tobacco use is one of the main risk factors for a number of chronic diseases, including cancer, lung diseases and cardiovascular diseases. As Aegon is aligning its responsible business strategy with its core purpose by focusing on the intersection of key areas of financial security, risk and well-being, we believe investing in the tobacco industry is not compatible with our strategy as a responsible investor, and therefore we exclude new investments in tobacco companies.

Controversial weapons

We consider the production and use of weapons that have an indiscriminate and disproportional impact on civilian populations as unacceptable. Often, the effects of these controversial weapons can be felt years after armed conflicts end. We believe the use of these types of weapons must be eliminated, and therefore we exclude the following types of controversial weapons:

- ◆ Anti-personnel mines
- ◆ Biological and chemical weapons
- ◆ Cluster munitions
- ◆ Ammunitions containing depleted uranium

We do not invest in companies that are involved in development, production, maintenance and trade of these weapons. We also exclude companies from investment that produce or develop key and dedicated components, or offer essential services for their use.

Based on international agreements established in the Non-Proliferation Treaty, signed by 189 countries, the only states allowed to possess nuclear weapons are the United States of America, United Kingdom, France, Russia and China. We do not invest in companies involved in the production and maintenance of nuclear weapons, or their essential parts, for any other country.

Controversial arms trade

Controversial arms trade involves supplying conventional weapons for which there is a substantial risk they will be used in conflicts and regions where human rights are violated. The prevention of controversial international arms trade is enshrined in the UN Arms Trade Treaty, which entered into force in December 2014. Recognizing that the primary responsibility in enforcing the UN Arms Trade Treaty is with governments we are committed to monitoring companies with heightened risk in this area, and engaging with them where necessary. We do not invest in companies that supply weapons to countries identified for arms embargoes by the UN Security Council and the European Union.

Countries

Aegon invests in government bonds, and is thereby engaged in a financial relationship with sovereign governments. We incorporate ESG factors into our analysis of government bonds since social or political instability may affect the creditworthiness of a country. Aegon does not invest in government bonds or any other government debt from countries that systematically breach human rights. Countries should respect and uphold universally accepted values, such as the Universal Declaration of Human Rights. In its assessment, Aegon references the sanctions that are considered most severe; arms embargoes against current regimes issued by the United Nations Security Council, the European Union or the United States of America. We also source input from non-governmental organizations such as Human Rights Watch and Freedom House.

Human- and labor rights

Aegon recognizes fundamental human- and labor rights. States and companies have the responsibility to respect the freedoms and rights of humans as enshrined in the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights and the core standards of the International Labour Organization (ILO). We expect from companies to disclose an explicit policy to observe human rights for their own operations as well as for their supply chains.

Attracting, developing and retaining talent contributes to the success of businesses. Good employment conditions, and the promotion of employee satisfaction is important to promote a safe and healthy workplace. We believe that everyone is entitled to equal opportunities, the freedom of association and the protection against any form of discrimination. We find child and forced labor unacceptable and employees have a right to reasonable working hours and fair wages without any gender distinction.

We expect business to strive for diversity within their workforce and company management. Companies should provide a safe and healthy workplace, and actively monitor health and safety through management systems, within their own operations and their supply chains. Companies are also expected to provide a robust whistleblowing mechanism which allows employees and third parties to report on violations of workplace rules on health, safety and employee welfare.

Climate change

Climate change represents one of the biggest systemic risks for society, the economy and for financial institutions. Mitigating climate change and reducing greenhouse gas (GHG) emissions are a major global challenge. Aegon believes that governments, companies and investors have a responsibility to facilitate a transition to a climate resilient economy.

We expect companies to combat climate change where they can, and to report on their direct and indirect GHG emissions. Companies are expected to operate with the goal of enhancing energy efficiency, invest in more environmentally friendly production techniques and to contribute, and adapt, to the energy transition.

Aegon recognizes that poorly diversified thermal coal producers are most likely to be impacted by climate-related government regulation and therefore run the highest risk of their assets being stranded. Also, with coal being the most carbon intensive fossil fuel, these companies contribute most to the GHG emissions that cause climate change. Therefore Aegon excludes companies that derive more than 30% of their revenues from thermal coal production from its investment universe.

Tax, fraud and corruption

Since paying taxes is a corporate responsibility, we expect companies to pay taxes in the countries where they have operations. In this respect, we support the OECD's framework on base erosion and profit shifting (BEPS), which refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

We expect the companies in which we invest to have ethical business practices that are free from fraud and corruption. We also expect that businesses refrain from such practices in their supply chains. In addition to actively fighting fraud and corruption, businesses must report on their systems in place for controlling and reporting such malpractices.

Nature, Environment and Biodiversity

The economy is changing from a linear to a circular system. In the circular economy, raw materials are re-used so that they retain their value. Manufactured products are increasingly designed and produced to enable reuse and repair, or allow for easier recycling in order to minimize waste. Aegon supports the transition to a circular economy, and expects businesses to take a responsible approach towards the use of raw materials.

Care for nature, the environment and preserving biodiversity are important business responsibilities. In addition to environmental stewardship, the preservation of biodiversity is important. Companies that pose an increased risk on biodiversity should comply with the UN Convention on Biological Diversity and should report transparently on measures they take to promote and protect biodiversity.

Animal Welfare

Aegon expects that animal welfare concerns to be taken seriously by businesses whose operations involve or depend on animals. We expect these organizations to recognize the Five Freedoms of animals. We require relevant companies to take measures to reduce animal suffering to a minimum, and to ensure compliance with the Five Freedoms of animals in their supply chain. Businesses that do tests involving animals should take all efforts to identify and implement alternative testing methodologies. This includes the pursuit of replacement, reduction and refinement, referred to as the 3R strategy.

Targeted investments

Impact Investment

At Aegon, we see opportunities to meet our risk-return requirements while at the same time delivering a positive impact on the societies in which we operate. An increasing number of companies are linking their business impact to the Sustainable Development Goals (SDGs). These 17 goals form the United Nations 2030 Agenda for Sustainable Development, and cover issues like poverty, education, diversity, water, climate change and inequality. We see the SDGs as a framework to identify opportunities for investments in durable impact.

As a financial services company, we are committed to provide financial security and well-being to our customers. In the coming years, we will increasingly focus our impact investing efforts on issues that are closely linked to our business and the world of our clients. In determining focus areas for impact investments we will consider the following:

- ◆ Clear link to our responsible business strategy and thematic focus areas;
- ◆ The extent to which we already have or can develop relevant expertise and knowledge;
- ◆ The availability of good investment opportunities in the relevant market, and potential interest for these investments with our external clients;
- ◆ The extent to which we can make investments in an integrated way, by working with the relevant portfolio managers and analysts, and by making impact investment part of existing or new investment mandates;
- ◆ The degree in which we can measure the environmental or social impact.

In any case we will focus on the following impact investment areas:

- ◆ Intersection of financial security and well-being;
- ◆ Affordable housing and sustainable real estate;
- ◆ Inclusive finance, microfinance;
- ◆ Development banks;
- ◆ Clean energy and energy efficiency.

Standards

The Responsible Investment Policy describes the values and beliefs that Aegon applies to its investments. Some principles are covered in more detail in several standards that we take into account in our investment decision-making processes.

Principles for Responsible Investment(PRI)

Aegon Asset Management is signatory to the Principles for Responsible Investment. By implementing this set of principles on ESG integration, Aegon contributes to a more sustainable financial system. Besides the principles, the PRI provides a platform for investors to share expertise and connect with other members.

More information can be found at www.unpri.org

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises provide non-binding principles and standards for responsible business conduct. Good company behavior is critical to support economic efficiency, sustainable growth and financial stability. Aegon considers the OECD Guidelines as best practices when monitoring multinational companies. As an asset manager and asset owner we apply the key considerations for due diligence under the OECD Guidelines for Multinational Enterprises.

More information can be found at <http://mneguidelines.oecd.org/guidelines/>

United Nations Global Compact

The United Nations Global Compact asks companies to incorporate principles in the areas of human rights, labor, environment and anti-corruption into their strategies, policies and procedures. At Aegon, we expect companies to adhere to the Global Compact. In case of serious violations of the principles, we will raise our concerns and engage with company management to aim for improvements.

More information can be found at <https://www.unglobalcompact.org/>

UN Guiding Principles

The UN Guiding Principles on Business and Human Rights are a set of guidelines developed for corporates and countries to prevent, address and remedy human rights abuses committed in business operations.

For Aegon, the Guiding Principles are an important instrument to monitor corporate behavior and to identify companies that do not comply with our RI beliefs.

More information can be found at <https://business-humanrights.org/en/un-guiding-principles>

Relevant treaties and conventions

Universal Declaration of Human Rights
 UN Arms Trade Treaty
 Anti-Personnel Mine Ban Convention (Ottawa Treaty)
 Biological Weapons Convention
 Chemical Weapons Convention
 Convention on Cluster Munitions
 Standards of the International Labour Organization (ILO)
 Treaty on the Non-Proliferation of Nuclear Weapons

Change log

Policyversion	Amendments	Prepared	Approved
1.0	First publication October 10, 2017	RISC	Aegon Management Board
2.0	Tobacco exclusion	RISC	Aegon Management Board

Appendix I: Asset Categories and Policy Applicability

The policy and this table provide details on how the policy applies to different asset categories. In each category, assets may be managed by Aegon- affiliated asset managers (primarily the units that make up Aegon Asset Management), or by external managers. The policy and this table also provide details on how the policy applies to these internal or external mandates or relationships.

Asset Category	Description	RI Policy applicability	What it means according to Policy
General Account(GA)	Assets on balance sheet of Aegon insurance companies. Aegon companies select managers/funds/investments.	In scope	<ul style="list-style-type: none"> ◆ Exclusions ◆ ESG integration ◆ Engagement ◆ Impact Investment ◆ PRI signatory requirement (external asset managers - comply or explain)
Insurance-linked / separate account	Assets are on the Aegon balance-sheet and managed on behalf of external clients for products sold by Aegon insurance companies (i.e. investment accounts linked to mortgages, insurance policies, pensions products). May or may not have guarantees. Aegon selects funds/managers.	In scope	<ul style="list-style-type: none"> ◆ Exclusions (dependent on policies of individual Aegon units) ◆ ESG integration ◆ Engagement ◆ PRI signatory requirement (external asset managers - comply or explain)
Third Party	Assets managed by AAM or other Aegon companies on behalf of external (non-Aegon) clients. AAM or other companies select funds/investments/managers.	In scope	<ul style="list-style-type: none"> ◆ Exclusions (on client request) ◆ ESG integration (comply or explain) ◆ Engagement (comply or explain) ◆ Impact investment (where there is fit with mandate/fund) ◆ PRI signatory - strong preference (external asset managers - comply/ explain)
Fund platforms	Investments made under Aegon administration on behalf of external clients. External clients select funds/managers.	In scope	<ul style="list-style-type: none"> ◆ Exclusions (dependent on policies of individual Aegon units) ◆ ESG integration - strong preference ◆ Engagement - strong preference ◆ Asset manager PRI signatory - strong preference <p>Aegon will ensure the availability of ESG-labelled investment products as well as disclosure of ESG ratings of products where possible.</p>
Joint Ventures	Investments made by or on behalf of Aegon joint venture companies where Aegon does not have management control.	Not in scope	Aegon will use its influence to encourage application of the policy, or elements thereof.