

Global Internal Audit Charter

Date : November 13, 2018
Owner : Group Chief Audit Executive



VISION Internal Audit

The vision of the Internal Audit Function is to:

Align audit coverage to business priorities with thematic reporting resonating, informing or initiating strategic debate and driving action in one time.

Operate as a truly global team, where skills are deployed across Strategic Business Units (SBUs), methodology is consistent and all SBU audit teams are held to account for the same standard through global quality assurance.

1. Purpose of the Charter

The purpose of this Charter is to define the nature, role, responsibilities, status and authority of the Internal Audit Function within Aegon Group and to outline the scope of its activities.

2. Ownership, Maintenance and Authorization of the Charter

The owner of the Charter is the Global Head of Internal Audit (Group Chief Audit Executive). This Charter will be reviewed annually by the Group Chief Audit Executive and updated as required.

This Charter will be reviewed and approved by the Risk and Audit Committee of the Supervisory Board. It was last approved on November 13, 2018. Any change to this Charter will require the approval from the Risk and Audit Committee.

In the event Audit Committee and Risk Committee are separate Committees, any reference in this Charter to the Risk and Audit Committee should be read as Audit Committee.

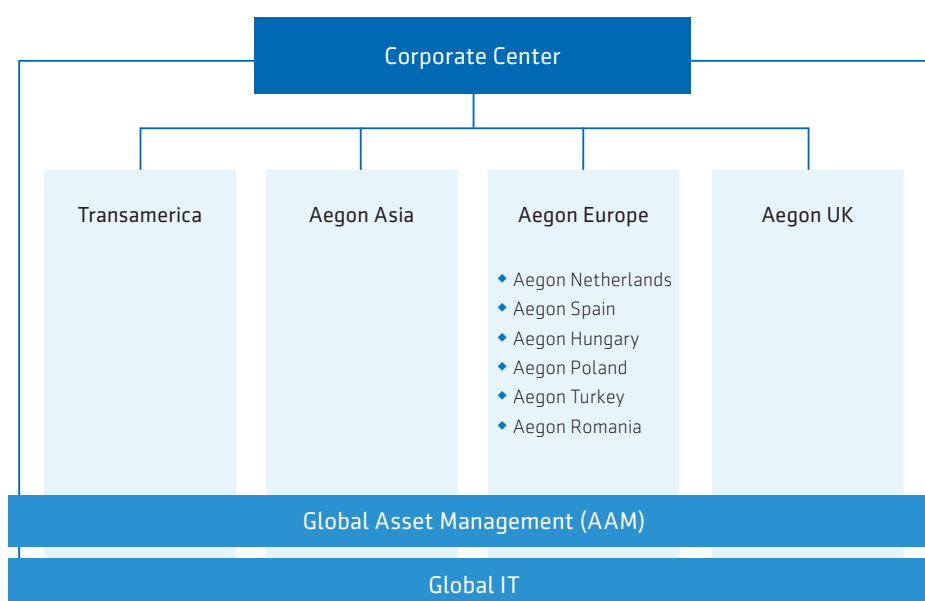
3. Scope of the Internal Audit Function

Organization

The Internal Audit Function is a function that is present at the Group level and SBU level. This Charter addresses all levels.

Structure

Internal Audit covers, on a risk assessed basis, the activities and operations within Aegon. To create coverage over the activities of Aegon, Internal Audit is organized as follows:



Geographical coverage is reached via geographical SBUs, with global SBUs aimed at IT/Technology and Asset Management. IT capacity is present in major country Internal Audit teams. AAM auditors are part of a dedicated global AAM Internal Audit team.

4. Authority and Role

Role of Management

Aegon's general efforts to operate within the control framework when pursuing its goals and strategy is the responsibility of senior SBU management and Group senior management who are responsible for the establishment of an effective Internal Audit Function that meets the requirements set out in this Charter.

Role and Purpose of the Internal Audit Function

Aegon's Internal Audit Function "Internal Audit" assists the Executive Board, the Risk and Audit Committee of the Supervisory Board and Senior Management in protecting Aegon's assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes.

Additionally, Internal Audit provides consulting services related to the evaluation and improvement of the management control environment of Aegon, including upon request by any relevant stakeholder, such as the Audit Committee or executive management. When providing consulting services, Internal Audit needs to maintain operational independence.

Opportunities to strengthen the existing management control environment, effectiveness and Aegon's reputation may be identified during all of its activities.

Authority

Internal Audit derives its authority from the respective Boards and is authorized to examine the internal controls, risk management and governance processes in all areas of Aegon.

Internal Audit is authorized to have full, free and unrestricted access to all Aegon records, functions, physical properties and personnel, including where appropriate outsourced operations, within a reasonable period of time making the request. Any limitation in the scope of Internal Audit as a function needs to be disclosed to – and discussed with – the Audit Committee. Local laws and regulations will apply regarding the attainment of any records required.

Escalation

To ensure the appropriate influence, authority, independent position and direct access to the appropriate parts of the organization, Internal Audit can escalate along the following lines:

The Group Chief Audit Executive has an escalation path to the Chair of the Risk and Audit Committee. In addition the Group Chief Audit Executive will be present when significant Internal Audit matters are discussed in Supervisory Board (SB) meetings. SB members have direct access to the Group Chief Audit Executive as needed to fulfill their responsibilities.

The SBU Chief Audit Executive has an escalation path to the Chair of the SBU Risk and Audit Committee. In addition the SBU Chief Audit Executive has an escalation path to the Group Chief Audit Executive.

5. Governance

The risk governance structure of Aegon is documented in the Global Risk Management Charter. An important element is the establishment of Aegon's risk tolerance at the Group level and managing the actual risk profile in line with Aegon's risk tolerance.

Three Lines of Defense model – Position of the Internal Audit Function

Aegon's approach to risk management will follow the enterprise-wide principle of three lines of defense

- 1) risk ownership,
- 2) risk management, and
- 3) independent assurance.

The first line of defense is the business and consists primarily of the risk owners. The second line of defense facilitates risk management by developing, maintaining, and overseeing compliance with group-wide risk governance, risk tolerances, risk policies and risk methodology, which are applicable to all businesses for which Aegon has operational control. The third line of defense, the Internal Audit Function, provides independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

Based on the assurance opinions, Internal Audit recommends improvements which are agreed with management and pursues corrective actions on identified issues until implementation.

Positioning of the Function in the Organization

The Internal Audit Function is independent of senior management, which has responsibility for the first and second lines of defense, and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

The independence of the Internal Audit Function is also embedded through the authority to appoint or dismiss the (Group) Chief Audit Executive. As defined in the Charter of the Executive Board and Supervisory Board, the Executive Board appoints and dismisses the Group Chief Audit Executive. Such decisions will be submitted to the Supervisory Board for approval, along with recommendation issued by the Audit Committee.

Committees

The SBU's Chief Audit Executives shall meet periodically with their respective Risk and Audit Committees to report activities since the previous meeting, significant audit findings, future activities relating to regular audits and special projects, acts of fraud, theft or misconduct, and other matters believed to be of sufficient magnitude and importance. Additionally, the SBU's Chief Audit Executives meet privately with the Risk and Audit Committee, as part of the periodical Internal Audit update provided to their respective Risk and Audit Committees. If deemed necessary, the SBU's Chief Audit Executives are also entitled to request their respective Chairman of the Risk and Audit Committee to convene a meeting of the Committee.

The Group Chief Audit Executive is authorized to communicate directly in confidence to the Risk and Audit Committee of the Supervisory Board, Aegon Chief Executive Officer, Aegon Chief Financial Officer, Aegon General Counsel and/or Aegon Compliance Officer. However, findings will normally be reviewed and discussed with the appropriate Aegon management before being taken to Aegon Senior Management and the Risk and Audit Committee of the Supervisory Board.

6. Objective of the Function

The purpose of Internal Audit is to systematically evaluate the effectiveness of and provide oversight on the Aegon control environment that consists of, but is not limited to, the combined effectiveness of governance, organization, policies, procedures and systems. Examples may include strategy, culture, finance, performance, compliance, system security, and due diligence engagements.

The function also provides consulting services where the nature and scope of the services are agreed with the service requestor. These should fit the nature of the Internal Audit Function and not interfere or conflict with the independence and objectivity of Internal Audit. The consulting services intend to add value and improve Aegon's governance, risk management, and control processes without assuming any management responsibility by the internal auditors. Examples include counseling, advice, facilitation, and training. In order to act upon Aegon's purpose, the services provided by the function need to be aligned with Aegon's Strategy and business objectives.

7. Responsibilities of the Function

General Overview

To realize the objective of the function, Internal Audit is required to advise the Management Board (MB), Executive Board (EB) and Supervisory Board (SB) to improve the control environment, to support and facilitate MB, EB, senior management and the business in pursuing actions to improve the control environment and to challenge/monitor and independently evaluate the effectiveness of controls, risk management and governance with the following responsibilities:

- Prepare and execute a risk based audit plan which is approved by the SBUs' Risk and Audit Committees, the Risk and Audit Committee of the SB and EB.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time. Ensure that these are brought to the attention of the Risk and Audit Committee of the SB, as appropriate.
- Assist in the investigation of significant suspected fraudulent activities within Aegon or conduct special reviews or consulting which may not usually be included in the scope of Internal Audit and notify the Risk and Audit Committee of the SB of the results of these activities.
- Issue periodic reports to respective management and Risk and Audit Committee, summarizing the progress and results of the annual audit plan, as well as on the sufficiency of the Internal Audit resources.
- Assemble and maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Ensure the Risk and Audit Committee of the SB and EB are kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance and external auditors).
- Execute audits on the functioning of the first and second lines of defense.
- Maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Function, including an evaluation of conformance with the Institute of Internal Auditors' International Standards.

Establishment of Internal Audit Function

In order to meet the objectives of the function, the Group Chief Audit Executive will have the following responsibilities relating to resourcing, adequate staffing, skillset and operation of the function:

- Establishment of the teams across Aegon where required with the appropriate professional skills and knowledge to effectively execute their tasks.
- Any significant Internal Audit staffing or structural audit changes, including but not limited to outsourcing and insourcing of audit activities.
- Appointment or removal of SBU Chief Audit Executives.
- The development, maintenance and coordination of the overall Group Internal Audit talent management and mobility program.
- Any significant deviation from the role or primary responsibilities as outlined in this Charter.
- Consistency of elements in the Global Internal Audit methodology and practices utilized.

The SBU Chief Audit Executives have the following responsibilities relating to resourcing and adequate staffing and skillset of the function:

- ♦ Annual objectives setting and performance assessments of SBU team members and corresponding remuneration, including bonuses.
- ♦ Appointment or removal of SBU team members.
- ♦ Provide to the Group Chief Audit Executive a skills and competencies overview of local team members, identify and communicate any potential resource gaps and ensure adequate resourcing of SBU audit teams to effectively execute their tasks. External resources shall be engaged where required, and approved by the SBU and Group Chief Audit Executives.

Group Internal Audit Function – Overview of specific Responsibilities

The following activities will require Group Chief Audit Executive involvement, and varying approval, as reflected:

- ♦ Establishment of any new Internal Audit Function, including Joint Venture audit teams.
- ♦ Annual objectives setting and performance assessments of SBUs' Chief Audit Executives, and corresponding remuneration, including bonuses.
- ♦ Audit department risk assessment, (semi-)annual audit plan and the corresponding annual budget.
- ♦ Any significant changes to the audit plan that impact the delivery against the original commitments (e.g. unplanned management requests added, deferrals of audit projects, etc.).

The activities listed above are not intended to be all inclusive and will be updated as new items need to be considered. To ensure the needs of the Audit Committee of the Supervisory Board are met, certain information will need to be provided in a consistent manner as established by the Group Chief Audit Executive. The Group Chief Audit Executive will also periodically participate in various local SBUs' Risk and Audit Committee meetings and need to receive advance copies of Risk and Audit Committee materials.

8. Reporting

Group

The Group Chief Audit Executive reports functionally and administratively to the Aegon Chief Executive Officer and the Risk and Audit Committee of the Supervisory Board.

Operational Unit/Strategic Business Unit

To ensure the independence of the auditors and effective governance, the SBU Chief Audit Executives have a reporting line to the Group Chief Audit Executive, as well as to their respective SBU Risk and Audit Committees and SBU Chief Executive Officers.

Additional Notes

Independence and Objectivity

Internal Audit executes its duties freely and objectively in accordance with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Internal Auditors' International Standards, and the Definition of Internal Auditing as well as with Aegon policies and procedures. Internal Audit's policies also align with the local professional auditing standards and guidance.

Internal Audit avoids any conflict of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions. Outsourcing of Internal Audit activities could alleviate temporary resourcing constraints.

The SBU Chief Audit Executives verify that resources, both internal and external, engaged possess the necessary knowledge, skills and competencies to execute the duties of Internal Audit and are appropriately assigned to audit teams. The external resources engaged should comply with the principles of this Charter and the Internal Audit policies applicable to the Aegon Internal Audit Function.

Internal Audit does not execute any operational duties for Aegon and auditors will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted. When performing consulting services Internal Audit maintains objectivity and must not assume management responsibility.

Confidentiality

Internal Audit will maintain appropriate confidentiality while discharging its duties, knowing Internal Audit has access to highly sensitive data and information.