

Aegon Group Remuneration Disclosure Identified Staff 2016

Dutch Regulation on Sound Remuneration

The Hague, August 2017

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Qualitative Report

1. Introduction and scope

In accordance with the Dutch Decree on Sound Remuneration Policy (Regeling Beheerst Beloningsbeleid (Rbb) Wft 2014, stb 2014,21932) from DNB (the Dutch Central Bank) and the 2015 Act on the Remuneration Policy of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, Wbfo 2015, stb 2015,45) Aegon wishes to disclose further information on remuneration of Identified Staff.

The qualitative data in this document is based on the remuneration policies, processes and design applicable as at January 1, 2016. The quantitative data covers performance year 2016.

2. Global Remuneration Framework

Aegon has implemented a Remuneration Framework which covers all staff of the Aegon Group. It contains the guiding principles to support sound and effective remuneration policies and practices by ensuring consistency in remuneration policies and practices throughout the Aegon Group.

The Remuneration Framework and related policies were developed in cooperation with external counsel, amongst others PWC and TowersWatson. A number of external advisers has provided information on remuneration practices and levels, amongst others TowersWatson, McLagan Aon Hewitt and Hay Group.

3. General Compensation Practices

Aegon has a pay philosophy that is based on total compensation. This means that the aim is for total remuneration for experienced and competent employees to be consistent with those in the markets in which Aegon operates and competes for employees. Total compensation typically consists of base salaries and - where in line with local market practices - variable compensation.

Employees are informed on the variable compensation they can conditionally earn if targets are met (conditional grant), at the start of the performance year. At the end of the year, the actual performance relative to the set targets is determined. This assessment is the basis for determining the allocation (Dutch: toekenning) of variable compensation.

If actual performance falls short of the expected performance levels, the variable compensation is lowered (or not paid at all, see below paragraph "Circuit breaker"). If actual performance exceeds the expected level, a higher than target variable compensation is paid. Threshold and maximum pay-out levels are predefined and documented in the Remuneration Framework and supporting policies.

Variable compensation, if any, is capped at an appropriate level as a percentage of base pay. For compensation of staff outside Europe, Aegon N.V. (the "Company") requested and obtained in January 2015 shareholder approval to pay a maximum of 200% of base salary as variable compensation for performance delivered by selected senior staff in positions that, based on local market practice, could exceed the 100% of base salary variable compensation set out in (the Dutch) legislation. The Company's capital is not adversely impacted by the maximum variable compensation that could be paid out.

If the employee leaves employment during the performance period, the allocation will typically be cancelled or be pro-rated on the basis of time actually employed. At time of payment of any part of the variable compensation, the employee should be either employed by the Company, or be identified as a good leaver.

3.1 Circuit breaker

For each performance indicator, variable compensation is only paid if the threshold level set for that performance indicator is reached.

3.2 Claw-back provision

Where variable compensation is based on incorrect data (including non-achievement of Performance Indicators in hindsight), or in the event of material financial restatements or individual gross misconduct, Aegon's Supervisory Board has the right to claim back variable compensation that has already been paid out or vested.

For information on ex-ante and ex-post risk assessments, please be referred to 4.3.

4. Remuneration Risk

Variable remuneration is an effective tool to manage the cost of labor and create focus in employee performance. It is at the same time recognized that it may have an impact on risk taking behaviors and as such may undermine effective risk management.

4.1 Remuneration Framework and risk

Aegon operates a robust risk management framework to identify and measure risk within Aegon. As part of the Remuneration Framework the Aegon Group risk tolerances are documented and approved by the Executive Board. These risk tolerances relate to (i) the tolerable level of losses of risk events; and (ii) tolerance for action or lack of action which could lead to material adverse risk events.

To avoid any unwarranted risk effects of the Remuneration Framework and practices, both Risk and Compliance functions are involved in the design and execution of the remuneration policies and practices. As such the Control Functions¹ should safeguard that:

- The Remuneration Framework and procedures do not affect the financial soundness of Aegon Group, taking the defined acceptable level of risk and the impact on the economic required capital into account.
- A review of the Remuneration Framework and procedures is undertaken (and, where required, apply ex-post risk assessments) with the view to avoid excessive risk taking which could lead to the actions or lack of actions as defined in the risk tolerance statements.
- This also includes avoiding unwanted behaviors relating to market conduct etc. and should be reflected in the Remuneration Framework and practices.
- There is no reward for failure by ensuring the performance measured and rewarded is aligned with Aegon's strategy, taking due account of the defined risk tolerances and conduct fitting for Aegon.

Additionally, the Control Functions are involved in the risk assessment of any request for exemption to the Remuneration Framework and will advise the Supervisory Board accordingly.

1. The term is defined in the regulations. If we need to add Aegon specific definition we need to reflect the different setups which lead to different staff being control staff: depending on the setup for example HR or Finance can be seen as a control function.

4.2 Performance Management and risk

In order for remuneration to be aligned with risk management and performance, the performance management process is key. Performance is measured at business level, i.e. at Group and Report Unit (RU) level and at individual level to ensure an appropriate reflection of performance. The performance indicators align with the business strategy and risk tolerances of Aegon and include both quantitative (what) and qualitative targets (how). The mix of business indicators versus personal objectives depends on the role, responsibilities and level of the job in the organization. The Dutch regulations require at least half of the targets used for variable compensation to be of a non-financial nature.

To ensure performance takes into account the risk tolerances and behaviors as considered appropriate, Risk and Compliance are involved in the performance management process. Additionally, guidelines have been developed by Risk which assist line managers in ensuring that establishing accurate performance results at the end of the performance year, rewarding the right behaviors and results, and at the same time maintaining prudent risk management, does not go awry in case of changing realities during the year.

4.3 Risk assessments

The Control Functions, in particular Risk and Compliance, are responsible for the design, implementation and execution of the various ex-ante and ex-post risk assessments that have been introduced by Aegon to ensure the Remuneration Framework and practices are aligned with the defined risk tolerances and behaviors. Aegon has endeavored to seek an appropriate balance of ex-ante and ex-post adjustments to ensure effectiveness both on short term and longer term risk taking behavior of employees. Depending on the outcomes of these risk assessments the Control Functions will propose subsequent risk mitigating measures to be applied.

To identify and mitigate potential risks resulting from the Remuneration Framework and practices within Aegon the Control Functions undertake risk assessments at Group / RU level and at individual level. Effective risk management of remuneration requires a balance of ex-ante and ex-post risk assessments to have a continuous effect on behavior but also takes into account the timelines of risk.

4.3.1 Ex-ante risk assessments

Risk assessments that are undertaken prior to the granting and allocation of variable remuneration to individual employees (regardless whether this remuneration is paid out / vesting immediately or deferred) are considered ex-ante assessments.

4.3.2 Ex-post risk assessments

Retribution risk assessments that are applied after the allocation of variable remuneration which are aimed at ensuring sustainability of performance and risk prudent and ethical behavior, are considered ex-post risk assessments.

Aegon will apply ex-post risk assessments in order to determine whether the deferred variable remuneration should vest or should be adjusted (downwards only) or should be (partially) reclaimed after having vested or been paid out / released.

4.4 Applicable internal policies

Where applicable, the full suite of Risk and Compliance related policies and procedures are taken into account, including any breaches thereof or granted exceptions. In particular the following are relevant:

- ♦ Aegon risk tolerance statements
- ♦ Aegon risk policies (both operational and financial)
- ♦ Aegon global compliance charter
- ♦ Aegon financial crime reporting and notification procedure
- ♦ Aegon code of conduct
- ♦ Aegon market conduct principles
- ♦ Aegon NV insider dealing rules

5. Governance

5.1 Supervisory Board and Remuneration Committee

The Supervisory Board is a separate corporate body, independent of the Executive Board. In performing their duties, members of the Supervisory Board are guided by the interests of Aegon and the Company's stakeholders. The Supervisory Board has the ultimate responsibility for the design and implementation of the Remuneration Framework. Before they come to the attention of the Supervisory Board for decision, items related to compensation and compensation policy related matters are prepared by Remuneration Committee of the Supervisory Board¹. The Remuneration Committee advises the Supervisory Board regarding the remuneration policy of the Company.

The Committee discussed the effects of regulations introduced by the European Union (CRD IV), together with the Guidelines on Remuneration Policies and Practices issued by the European Banking Authority. Furthermore, the Committee discussed the remuneration of the Executive Board following the resignation of Darryl Button and the intended appointment of Matthew Rider. In 2016, the Remuneration Committee oversaw the further application, implementation and approval of Aegon's Group Global Remuneration Framework and the various policies and procedures related to it, including the Remuneration Policy for Identified Staff. This included: Setting the 2016 performance indicators and targets for remuneration purposes; Allocating variable compensation for 2015; The scenario analysis of payout levels under the Executive Board Remuneration Policy; Reviewing and/or approving the ex-ante assessments and ex-post assessments, any exemption requests under the remuneration policies, and changes to the list of Identified Staff; Setting the 2017 performance indicators for remuneration purposes. Furthermore, the Committee discussed the results of the audit by the Internal Audit Department on the application of the Remuneration Framework.

As per December 31, 2016, the composition of the Remuneration Committee is as follows Mr. Ben J. Noteboom (Chair), Mr. Robert J. Routs, and Mrs. Corien M. Wortmann-Kool. In 2016, the Remuneration Committee had six meetings.

5.2 Remuneration Steering Committee

The Remuneration Steering Committee of Aegon N.V. provides advice and support to both governing bodies (the Supervisory Board, the Executive Board of Aegon N.V.), Reporting Unit (RU) Boards and to the Control Functions, at Group and RU level.

The Remuneration Steering Committee consists of the Aegon Group Chief Financial Officer, the Aegon Group Chief Risk Officer, the Aegon Group Global Head Human Resources. The Head of Group Internal Audit is not included in the Remuneration Steering Committee as the Audit function is considered the third line of defense and should maintain its independence.

1. The full charter of the Remuneration Committee can be found on Aegon's corporate website. Please be referred to <https://www.aegon.com/siteassets/governance/governance-documents/sb/aegon-remuneration-committee-charter.pdf>

The Remuneration Steering Committee reports its findings and advice to any governing body and / or Group / RU Control Function which is involved in the Aegon Group remuneration governance processes, procedures and practices, both as solicited and unsolicited advice.

5.3 Role of Control Functions

The Group and RU Risk functions are in particular responsible for risk management and risk mitigation stemming from the remuneration policies and practices within Aegon.

The Group and RU Compliance functions are aimed at compliance with applicable legislation, regulations and internal policies regarding remuneration governance, integrity, and customer interests.

The Group and RU Finance functions are to safeguard the Company's financial position whilst committing to certain variable remuneration policies, plans and pay-outs in line with applicable regulations and guidelines as well as to ensure meaningful financial parameters at Group, RU and individual level in these policies and plans.

In addition to being the owner of the Company's performance management and remuneration methodologies and systems, the Global and RU HR functions' role is overall remuneration governance process management, overseeing and seeing to it that all process steps are carried out in time with the required results.

The Control Functions at Group and at RU level will work closely in assessing / undertaking any monitoring of activities at the RU level. The Group Control Functions will be advised by the RU Control Functions. The Group Control Functions will provide guidance and support to the RU Control Functions in their design, implementation and execution of the remuneration governance at RU level.

Depending on their nature proposals of the Group Functions are subsequently approved by the Executive Board upon proposal by Global HR, or by the Supervisory Board upon proposal by the Remuneration Committee. The Executive Board is also involved in the preparation of proposals to be approved by the Supervisory Board. Proposals by the RU Control Functions will be approved by the respective RU Boards.

For staff in Compliance and Risk functions the practice is that variable compensation, if any, shall not exceed 100% of their base salaries.

6. Identified Staff

Employees in positions that have a material impact on the risk profile of Aegon N.V. and its (regulated) group companies are classified as "Identified Staff". For these employees additional regulations apply with regard to variable compensation.

6.1 Categories of Identified Staff

To determine which jobs qualify as Identified Staff position Aegon has developed a policy in which four categories are distinguished.

1. Executives
2. Control Staff
3. Other risk-takers
4. Other Staff

In the Aegon methodology for selecting Identified Staff, positions that would fall under the category Senior Management should be allocated to one of the four above mentioned categories as specified above. This is to ensure proper identification of the type of senior management role and the specific remuneration policies and guidelines in the Remuneration Framework that apply to these positions (e.g. indicator mixes, pay-mix, holding periods, etc.).

In the table below examples of functions within each of these categories are given that can be used as guidelines for the identification of Identified Staff.

Executives	Control Staff	Other Risk Takers	Other Staff
EB members	Head of Audit	Other CEOs (not of major units)	RU CFOs
CEOs of major units	Head of Risk/CRO	Senior staff in Business/Corporate	Other senior Finance staff
	Head of Compliance (CO)	Development/M&A	Chief Actuary
	Other senior Audit staff	Senior Investment Officers	COO
	Other senior Risk staff	Senior Treasury staff	Senior staff in Legal/
	Other senior Compliance staff	Senior staff in Capital Management/ALM	Tax/IT/HR
		Senior Traders	Communication
		Senior Portfolio Managers	
		Senior staff in Sales/Marketing	
		AAM Desk heads	
		Heads of product development	

6.2 Identified Staff compensation practice

Under the Remuneration Framework separate remuneration policies exist for three groups of employees, two of which are considered material risk takers. These policies recognize and address that the roles and responsibilities of these employees require specific risk assessments and governance processes. These are remuneration policies for:

- The Executive Board
- Other material risk takers, such as CEOs of major units (Identified Staff)
- Control Staff

Given the rationale for having a separate policy for material risk takers and the risk assessments that are applied to the remuneration of these individuals, Risk and Compliance are involved in the selection process of Identified Staff.

All Identified Staff is subject to the strict regulations of the Remuneration Framework and the Aegon N.V. Executive Board Remuneration Policy or the Aegon Group Global Remuneration Policy for Identified Staff and / or the Aegon Group Remuneration Policy for Control Staff.

Identified Staff is entitled to a fixed salary, standard benefits (like pensions where applicable based on local practice) and (where applicable) additional incentive payments known as “variable compensation”. Maximum ratios between fixed salary and variable compensation have been set by Aegon.

The variable compensation is determined on the basis of actual performance delivered against a mix of predetermined performance indicators and targets. They are similar for all Identified Staff (all units and levels). Funding takes place on the basis of Financial IFRS based (Group Underlying Earnings after tax, return on Equity), Financial Risk Adjusted based (Group MCVNB, Normalized Operational Free Cash Flow, Group Pre-tax return on Economic required Capital), Non-financial objectives linked to Group performance (objectives measuring corporate responsibility and employee engagement), Reporting Unit and/or Country performance (similar to group targets). Distribution of the funds takes place on the basis of individual performance objectives.

The performance indicators are regularly evaluated by experts in the Company's Finance, Risk, Audit, Human Resources and Compliance Departments. The type of performance indicators are selected in accordance with the long-term goals of the Company. The level of the indicators should be challenging but at target level achievable. The targets and levels are agreed by the Supervisory Board.

For Identified Staff, to further align incentives, at least fifty percent of the variable compensation is paid in shares. The part paid in shares increases with the seniority of the position within the organization. For that same reason part of the variable compensation is deferred. The level of the deferral is depending on the seniority of the position (higher seniority results in a bigger part of variable compensation to be deferred). Additional holding periods may be applied to deferred shares that have vested.

No variable compensation related to the performance period is allocated or paid out during the performance period. By implementing deferral, and additional holding periods, to allocated variable compensation Aegon believes the long-term interests of the Identified Staff are aligned with the interests of Aegon and its stakeholders. Variable compensation is paid out over a maximum period of four years to ensure a sufficiently long-term approach to decision-making. In addition, for the most senior group of Identified Staff, an additional holding (or lock up) period is mandated for the noncash payments. This holding period is 3 years following pay out, resulting in variable compensation being released after a maximum period of 7 years following its conditional grant.

For 2016, the performance period for variable compensation was the calendar year. At the beginning of 2016 Identified Staff was conditionally granted variable compensation, consisting of both cash and shares. The number of conditionally granted shares is calculated using the value of one Aegon share at the beginning of that financial year. This grant price is equal to the average price on the NYSE Euronext Amsterdam stock exchange for the period December 15, 2015, through January 15, 2016 (Euro 5.128).

The performance period closed on December 31, 2016. Variable compensation related to 2016 was allocated on May 19, 2017, with the adoption of the accounts for the financial year 2016 Aegon's General Meeting of shareholders and the ex-ante assessment.

Cash or shares that have not vested do not receive interest or dividends.

Quantitative Analysis

Outcome of ex-ante risk assessment

At the end of the performance period 2016, but prior to attribution of variable compensation, the Supervisory Board has assessed whether (downward) modifications were needed in addition to the regular assessment of performance as part of the normal performance management process done by management.

Variable compensation related to performance year 2016 was not reduced due to additional performance adjustments. This has therefore not led to lower pay-outs related to the performance period, to be paid out in 2017 and onwards.

Variable compensation of former employees which have not been identified as good leavers, was cancelled before the award became unconditional.

Outcome of ex-post risk assessment

The Supervisory Board applied an ex-post risk assessment to deferred pay-outs of variable compensation of previous years (2015, 2014, 2013 and 2012) in order to determine whether conditionally awarded (i.e. unvested) variable compensation should become unconditional (i.e. will vest) or should be adjusted. This assessment did not result in a reduction of unvested variable compensation that was to vest in 2016.

The tables overleaf show the payments allocated by Aegon to employees marked as Identified Staff in respect of the performance year 2016 as well as payments made in 2016 in respect of previous performance periods. It excludes variable compensation (both up front (short term) and deferred (long term)) granted prior to the implementation of the Rbb requirements. Identified Staff is based in Hong Kong, Singapore, Hungary, Ireland, Netherlands, Poland, Spain, United Kingdom, and United States of America.

Compensation information includes base salaries (annualized amounts per pay period) but excludes employer cost and cost for standard benefits like pension. Information is based on local currency. Where local currency was converted to Euro the exchange rates of December 31, 2016, were used. Amounts and number of shares are reported in 1,000's. Where the value of shares is expressed this is done on the basis of the Euro share grant price.

It should be noted that the Composition of the Management Board changed during 2016, resulting in an increase to the number of participants in the board and some personnel changes. The information for new Management Board members has not been pro-rated, but was included for the full calendar year.

Table 1. Aggregated Total Compensation Identified Staff 2016

The below table shows the amounts of remuneration relating to the performance year 2016, split into fixed and variable pay (x 1000) and the number of beneficiaries.

This concerns fixed compensation as paid out in 2016, and variable compensation as allocated (Dutch: toegekend) with regard to the performance year 2016.

			Compensation		
	IS Jobs	Jobholders	Total	Fixed	Variable
All Identified Staff	193	179	98,032	55,674	42,358
Management Board	11	11	16,028	8,296	7,731
IS excluding Management Board	182	168	82,005	47,378	34,627

IS excluding Management Board			Compensation		
	IS Jobs	Jobholders	Total	Fixed	Variable
Aegon Americas	46	39	27,297	13,069	14,228
Aegon Corporate Centre	20	19	8,512	5,267	3,245
Aegon UK	18	18	8,340	4,815	3,525
Aegon Spain	13	13	3,224	2,199	1,025
Aegon Asia	16	16	8,709	5,501	3,208
Aegon CEE	6	6	1,723	1,115	608
Aegon Ireland	7	7	1,722	1,258	464
Aegon Netherlands	28	28	8,664	7,321	1,343
Aegon AAM	28	22	13,813	6,833	6,980

Table 2. Analysis of 2016 Variable Compensation Identified Staff

The below table shows the amounts and types of variable remuneration allocated to Identified Staff for the performance year 2016, split into cash and shares. Besides shares, no share linked instruments or other types of variable remuneration have been provided to this group.

	2016 Variable Compensation	Up front (vests in 2017)		Deferred (unvested)	
		Cash	Shares ¹	Cash	Shares ¹
All Identified Staff	42,358	15,197	2,192	2,920	22,049
Management Board	7,731	2,212	777	1,173	3,570
IS excluding Management Board	34,627	12,985	1,415	1,747	18,479
	2016 Variable Compensation	Up front (vests in 2017)		Deferred (unvested)	
IS excluding Management Board		Cash	Shares ¹	Cash	Shares ¹
Aegon Americas	14,228	5,493	101	151	8,482
Aegon Corporate Centre	3,245	834	614	746	1,052
Aegon UK	3,525	1,210			2,315
Aegon Spain	1,025	327	15	10	673
Aegon CEE	608	207	50	59	291
Aegon Ireland	464	176			288
Aegon Asia	3,208	998	212	317	1,682
Aegon Netherlands	1,343	309	309	363	363
Aegon AAM	6,980	3,431	116	101	3,333

¹ The value of the shares is reported on the basis of the share price at grant.

Table 3. Outstanding Variable Compensation

The below table shows the outstanding deferred remuneration as per December 31, 2016, split into vested and unvested portions. These represent the outstanding awards related to previous performance years which are either still unvested, or have vested but are still subject to a holding period.

	Outstanding per December 31, 2016		
	Vested (holding)	Unvested	
	Shares #	Cash Eur	Shares #
All Identified Staff	2,347	4,672	12,781
Management Board	592	1,792	1,337
IS excluding Management Board	1,756	2,879	11,443

Table 4. Conditionally granted Variable Compensation

The below table shows the variable compensation that was conditionally granted in relation to performance year 2016, in case the predefined targets were going to be met. This targeted pay-out was determined based on the then expected performance on the basis of realistic target levels which are determined for performance indicators.

	Conditionally Granted
	Total Variable Compensation Amount
All Identified Staff	38,809
Management Board	6,787
IS excluding Management Board	32,022

During 2016 no variable compensation was paid out in relation to the performance period. Therefore no variable compensation was lowered due to performance.

Table 5. Analysis of Severance, Retention and Sign on payments during 2016

The below table shows severance and sign-on payments awarded to identified staff during the performance year 2016 and the number of beneficiaries (cases). No retention payments were made to Identified Staff in 2016.

severance payments	
total	2,656
nr of cases	13
highest amount:	551
sign on payments	
total amount:	1,385
nr of cases	7