Aegon N.V. Executive Board Remuneration Policy 2020

The Hague, March 2020

Version History

Last Version	March 24, 2011
Revised and updated	March 11, 2020
Endorsed by the Supervisory Board of Aegon N.V.	March 17, 2020
Adopted by Shareholders at the Annual General Meeting of Shareholders	May 15, 2020

1. Policy

1.1 Remuneration Policy

This Executive Board Remuneration Policy (the 'Policy') outlines the terms and conditions for the board agreement with and remuneration of the members of the Executive Board of Aegon N.V. (the 'Executives'), to be submitted for approval by the shareholders of Aegon N.V. (the 'Shareholders') at the Annual General Meeting of Shareholders on May 15, 2020. This Policy replaces the Aegon N.V. Executive Board Remuneration Policy of 2011.

Remuneration of all employees of Aegon N.V. and its direct and indirect subsidiaries ('Aegon') and the Executives is governed by the Aegon Group Global Remuneration Framework (the 'Remuneration Framework'). This Policy is aligned with the current version of this Remuneration Framework, which was adopted by the Supervisory Board of Aegon N.V. (the 'Supervisory Board') on December 18, 2019.

The Remuneration Committee of the Supervisory Board of Aegon N.V. (the 'Remuneration Committee') prepared the changes to this Policy, which were endorsed by the Supervisory Board on March 17, 2020. At the date of approval, the Policy complies with the applicable rules and regulations such as the Dutch Financial Supervision Act, the Dutch Civil Code, the Dutch Corporate Governance Code and the Solvency II Legal Framework.

1.2 Policy Term

This Policy will take effect retroactively from January 1, 2020.

The Policy remains in place until a new or revised Policy has been adopted by the Shareholders in accordance with the applicable requirements from the Dutch Civil Code. The Supervisory Board will submit a proposal to the Shareholders to adopt a Policy at an Annual Meeting of Shareholders (the ' Shareholders' Meeting') at least every four years. The Policy will subsist if Shareholders reject a new or revised Policy at a Shareholders' Meeting, even if this would be four years after the approval of this Policy. Subsequently the Supervisory Board is required to submit a new proposal to the Shareholders to adopt a Policy at the next Shareholders' Meeting (and if rejected again, the next Shareholders' Meeting thereafter, etc.), while this Policy subsists.

1.3 Policy Changes

The Supervisory Board made several material changes to this Policy compared to the previous version in order to comply with the new Dutch Act which implements the Shareholder Rights Directive and to incorporate Shareholder feedback on the previous Executive Board Remuneration Policy of 2011.

The main changes in the Policy are:

- Increased transparency by clarifying how the Policy contributes to Aegon's strategy, long-term interests and sustainability and how it take into account Aegon's identity, purpose, values and Stakeholder environment.
- Increased transparency with additional disclosure on the remuneration elements which can be offered to the Executive.
- The Variable Compensation award will be based on performance indicators from pre-defined performance indicator categories as described in this Policy (see also 4.1). The defined performance indicator categories are mandatory to ensure that Stakeholder interests are represented.
- At least 20% of the performance indicators will be measured over a retrospective 3-year performance period[1]. Since 2011 indicators were measured on a 1-year performance period only, in response to regulatory changes at that time. By re-introducing 3-year performance indicators, the Executive's compensation can be further aligned with Aegon's long-term commitments to its Shareholders and other Stakeholders.
- The portion of the Variable Compensation award that will be paid in Aegon N.V. shares (' Shares') is increased from 50% to 66 2/3%, while the Cash portion is decreased from 50% to 33 1/3%. This changes adds further alignment between the Executive, the long-term interests of Aegon and its Shareholders.
- The vesting schedule of the Variable Compensation award is changed into one upfront Cash part of 33 1/3% and one deferred Share part of 66 2/3%. The Shares cliff-vest after 3 years and are subject to an additional holding period of 2 years. Previously the vesting schedule paid the Variable Compensation award for 40% upfront and for 60% deferred in three tranches over a 3-year period, with each upfront and deferred part split into 50:50 in Cash and Shares. All Shares were subject to an additional holding period of 3 years. This change raises the restriction period of the Shares from an average 4.2 years to 5 years, adding to the alignment of the Executive with the long-term interests of Aegon and its Shareholders. This change also simplifies the remuneration structure of the Executive and increased its transparency.

The above-mentioned changes result in the following remuneration structure for a given calendar year (T):

<table>
<tr><th></th><th>T-2</th><th>T-1</th><th>T</th><th>T+1</th><th>T+2</th><th>T+3</th><th>T+4</th><th>T+5</th><th>T+6</th></tr>
<tr><td>Fixed Compensation</td><td></td><td></td><td>Cash</td><td colspan="6"></td></tr>
<tr><td rowspan="2">Variable Compensation</td><td></td><td></td><td>1yr performance period (≤80%)</td><td rowspan="2">One VC award</td><td>1/3 Cash</td><td colspan="4"></td></tr>
<tr><td colspan="3">3yr performance period (≥20%)</td><td colspan="3">2/3 Shares 3yr cliff-vesting</td><td>Additional 2yr holding</td><td></td></tr>
<tr><td>Pension</td><td></td><td></td><td>Contributions</td><td colspan="6"></td></tr>
<tr><td>Other Benefits</td><td></td><td></td><td>Cash or in kind</td><td colspan="6"></td></tr>
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1 *Please note that Aegon does not have separate Short and Long Term Incentive Plans, in response to the applicable Dutch and European rules and regulations. Therefore multi-year performance is introduced when determining the Variable Compensation award each year.*

1.4 Policy Considerations

The Policy contributes to Aegon's strategy, long-term interests and sustainability through the remuneration of the Executives in various ways:

- The Policy provides the Supervisory Board with the means to attract, motivate and retain competent and experienced Executives for the long-term. Having motivated, competent and experienced Executives on board is essential for executing Aegon's strategy and safeguarding and promoting its long-term interests and sustainability.
- Our strategy is about building life-time relationships with customers, to create financial security and well-being throughout their lives. To pursue this strategy our focus is on sustainable growth through expanding our customer base, increasing efficiency, capitalizing on the advantages of being a global group and investing more in growth businesses. The leading performance indicator categories for successful execution of this strategy are Capital, Growth and Strategy (see also 4.1). To support Aegon's strategy execution, the Policy makes these performance indicator categories mandatory for the Executive.
- Aegon believes it must create long-term value for its Stakeholders and the societies in which it operates. Because of the nature of our business, value created is often financial, but it may also be social, economic or environmental. The Policy directly aligns the Executive's personal long-term interests with that of Aegon and its Shareholders by paying a significant part of the Executive's Variable Compensation (66 2/3%) in Shares which must be held for 5 years after completion of the performance period[2] (see also 3.3.4). The pay-out in these restricted Shares is combined with prohibiting the Executive in this Policy from using personal hedging strategies or insurance which could undermine this long-term alignment of interests (see also 5.2). Additionally, the Executive is aligned with the long-term interest of Aegon, its Shareholders and other Stakeholders through the use of mandatory performance indicator categories of Earnings, Shareholders and Other Stakeholders (see 4.1 for more details).
- Aegon is committed to doing business responsibly and in a sustainable way. Variable Compensation of the Executive can be adjusted downwards (i.e. malus) or clawed-back in case certain performance has not been achieved in a sustainable way, such as but not limited to: significant risk and compliance incidents, insufficient response to such incidents and/or insufficient evidence of embedding of good standards of practice, such as sound and responsible business practices and integrity of products and services delivered. Additionally, the Policy makes the performance indicator category Environmental, Social and Governance ('ESG') mandatory for the Executive to support this approach of doing business (see 4.1 for more details).

The Supervisory Board took Aegon's identity, purpose and values into account when developing the Policy and its changes:

- Aegon is an international financial services group based in the Netherlands which provides life insurance, pensions and asset management (identity). The main operations are in the US, the Netherlands and the UK, while there is also significant presence in Southern and Eastern Europe, Asia and Latin America. The Policy provides the Supervisory Board with the means to attract, motivate and retain Executives who are competent and experienced to run Aegon in this specific context. As the Executives are based in the Netherlands, the Policy considers the European Insurance peers as well as Dutch General Industry peers to be the relevant external reference for Executive Remuneration. The Policy is also strongly influenced by the European and Dutch rules and regulations on (Executive) remuneration which apply to Aegon.
- Aegon's purpose is to help people achieve a lifetime of financial security. In order to fulfill this purpose, Aegon has a strategy to which this Policy actively contributes (see above).

2 *This a 3-year vesting period after the performance year and, after (cliff) vesting, an additional 2-year holding period.*

- The four Future Fit values 'Acting as one, Customer centricity, Agility and Accountability' aim to create a company that is fit for the future: one that meets customers' expectations, is right for our digitally-connected, data-driven world and can adapt quickly to changing market conditions. These values have most prominently been reflected in the Policy as follows:
  - Acting as one: At least 50% of the Executive's variable compensation is determined by Aegon's Group performance, in addition to the Executive's personal performance, stressing the importance of working together.
  - Customer centricity: The performance indicator categories Growth and Other Stakeholders are mandatory for the Executive in order to focus on (sustainable) sales to customers and Aegon's relationship with its customers respectively.
  - Agility: Aegon is active in a highly dynamic environment which requires it to respond quickly to changing conditions. Using performance indicator categories rather than specific performance indicators, provide the Executive and Supervisory Board the flexibility to agree to those performance indicators which are most relevant for the execution of the strategy at that moment.
  - Accountability: The Policy establishes a clear link between pay and performance by offering the Executive a Variable Compensation opportunity which is based on the results of pre-defined performance indicators, target levels and calculation rules. This is combined with allowing the Supervisory Board to adjust the Variable Compensation award before pay-out (malus) or claw back (part of) the paid award, if there are reasons discovered that would in hindsight justify a lower (or no) Variable Compensation award.

The Supervisory Board took the internal compensation structures and levels into account when selecting the remuneration elements and their levels for this Policy. Aegon has employees worldwide, so the compensation structures and levels vary from country to country and strongly depend on the local market practices. Whilst the majority of the Aegon employees are located outside of Europe, predominantly in the US, the remuneration levels of the Executives are aligned with the internal compensation structures and levels of employees in Europe (the Netherlands specifically) and external European and Dutch market references (see 3.1 for more details). The Fixed Compensation level of the Executive is following the internal compensation trend line, taking into account the additional responsibilities of the Executive compared to the Aegon Management Board members and other Senior Managers.

The Executive participates in collective compensation and benefit plans. The target and maximum Variable Compensation levels as well as the Pension Contribution level for the Executive are equal to that of some of the Management Board members in the Netherlands. The Executive is also subject to several collective Aegon employee plan rules, such as the Aegon Group Material Risk Taker Variable Compensation Plan and the Individual Defined Contribution pension plans for Aegon employees in the Netherlands

The Supervisory Board developed draft Policy changes based on the requirements of the new Dutch Act which implemented the Shareholder Rights Directive and shareholder feedback on the previous version. Subsequently the Supervisory Board actively consulted with a number of stakeholders to discuss the draft Policy and its changes in order to assess its public support. The Chairman of the Remuneration Committee, supported by the Investor Relations and the Compensation & Benefits team, consulted Aegon's main Shareholders including Vereniging Aegon, proxy advisory bodies and Shareholder interest groups on the draft changes. The Chairman of the Remuneration Committee discussed the draft Policy with the European Works Council, while the Chairman of the Supervisory Board discussed it with the Central Works Council in the Netherlands. All feedback was shared with the Supervisory Board. They took note that while not all Stakeholder feedback was aligned, there were no significant conflicts either. The Supervisory Board revised and fine-tuned several parts of the draft Policy for its final version, such as the definitions of the performance indicator categories. On an ongoing basis, the Supervisory Board and the Executives regularly discuss remuneration related topics with the supervisory authorities, legislators and politicians. Within Aegon constant monitoring of (social) media takes place, including sensitive topics such as remuneration, and such feedback is shared with the Supervisory Board.

The Policy links the development of Share price in two way to the Executive's remuneration. The Executive's Variable Compensation is partially based on a performance indicator related to Shareholders interests, for example relative Total Shareholder Return which looks at the change Share price (and dividend payments) compared to peer companies (see also 4.1). Subsequently, two-thirds of the Variable Compensation award is paid in Shares. These Shares are restricted for a period of 5 years (a 3-year vesting period plus an additional 2-year holding period), which exposes the Executive to Share price movements during this period.

The Remuneration Committee conducted a scenario analysis in relation to these Policy changes to determine the long-term effect on the remuneration structure and level of each Executive and reviewed the historical share price development. The Committee concluded that the impact of the Policy changes were reasonable and reported these findings to the Supervisory Board, who took note of these conclusions when they endorsed the Policy on March 17, 2020.

1.5 Policy Review and Revision

Each year, the Policy will be reviewed by the Remuneration Committee. The Remuneration Committee may suggest revisions to the Policy or a new policy to the Supervisory Board. When endorsed, the Supervisory Board will submit a proposal to the Shareholders to adopt the revised or new policy at a Shareholders' Meeting.

1.6 Temporary Derogation from the Policy

As determined by the Dutch Civil Code, derogation from this Policy is only allowed under exceptional circumstances and for a limited time period under the following conditions:

- The derogation can be from any remuneration element and/or provision in this Policy, as long as it continues to stay:
  - In line with the general spirit of this Policy as described in 1.4;
  - In line with the internal and external references as defined in this Policy (see 3.1), and;
  - Compliant with the applicable legislation and regulations.
- The Supervisory Board will adopt a derogation which includes at least the following details:
  - An explanation why the derogation is required in order to serve the long-term interest and sustainability of Aegon as a whole or to assure its viability;
  - Which remuneration element or provision is derogated from and how it affects the Executive's compensation levels;
  - An assessment which confirms that the Policy allows the proposed derogation and that it complies with the applicable rules and regulations;
  - The period of derogation. This period is limited to the moment the Shareholders have adopted a revised or new policy at a Shareholders' Meeting.
- The derogation and the abovementioned Supervisory Board approval details are disclosed in the next Remuneration Report.

In case a future change in rules and regulations conflicts with (a part of) this Policy, the Supervisory Board may deviate from this Policy to ensure compliance with the new rules and regulations. The Supervisory Board will disclose the deviation in the Remuneration Report and submit a proposal to the Shareholders to adopt a revised Policy at a Shareholders' Meeting which complies with the new rules and regulations.

2. Appointment

The Shareholders appoint and reappoint an Executive for a maximum term of four years per (re)appointment in accordance with the Dutch Civil Code and the Articles of Association of Aegon N.V.. The Executive and Aegon N.V. enter into a board agreement for the duration of this term (the 'Board Agreement').

3. Remuneration Structure

3.1 Remuneration package and level

The details of the Executive remuneration package are laid down in the Board Agreement. This remuneration package consists of four categories: Fixed Compensation, Variable Compensation, Pension Arrangements and Other Benefits & Arrangements. This Policy defines which remuneration elements, within each of these four categories, the Supervisory Board must or may include in the Executive's Board Agreement. Remuneration elements which are not included in this Policy cannot be offered to Executives.

The Supervisory Board determines and regularly reviews the appropriate selection of remuneration elements and their (maximum) remuneration level for the Executive to ensure the structure remains competitive and provides proper and risk-based incentives in line with Aegon's risk appetite: The Fixed and Variable Compensation elements and their levels are reviewed at least once a year. The Pension Arrangements and Other Benefits & Arrangements and their levels are reviewed at least every four years. In their review the Supervisory Board takes the specific role, responsibilities, experience and expertise of the Executive into account as well as internal and external reference information:

- The internal references are the compensation structure and levels of the members of the Management Board of Aegon N.V. and the annual compensation changes of the general employee population and senior managers within Europe and the Netherlands specifically.
- The external references are compensation trends in the market, economic developments (e.g. inflation) as well as quantitative assessments of the competitiveness against a peer group of insurance companies in Europe and a peer group of companies based in the Netherlands (see the Annex for details of the peer group selection).

Additionally, the Remuneration Committee conducts a scenario analysis in case of a Policy change to determine the long-term effect on the remuneration structure and level of each Executive and reports their findings to the Supervisory Board.

3.2 Fixed Compensation

Executives receive a gross monthly Cash Base Fee as Fixed Compensation. This monthly fee is one-twelfth of the gross annual Cash Base Fee.

The Supervisory Board may entitle Executives to other forms of Fixed Compensation:

- A gross monthly payment of Shares as Base Fee in accordance with the Aegon Group Plan Rules for the Share Component of the Fixed Salary, which is the collective policy for all eligible Aegon employees. This Plan has been adopted by the Supervisory Board and may be amended from time to time by the Supervisory Board.
- A permanent or temporary gross monthly Fixed Allowance, when the Supervisory Board considers this an appropriate alternative for other remuneration elements. The level of this gross monthly Fixed Allowance cannot fluctuate each month or year based on the Executive's performance. Examples are a temporary Fixed Allowance for additional interim responsibilities or a permanent Fixed Allowance for expatriate arrangements in line with the internal collective International Mobility Policies and market practice.

The total Base Fee is the calculation basis for Variable Compensation and Pension Arrangements.

The Supervisory Board may increase the Base Fee level, as long as it stays in line with the internal and external references as referred to in 3.1. This most commonly is an annual correction based on economic or market developments, such as inflation.

As of the effective date of the Policy, the Executives receive:

- Mr. Wynaendts (CEO): An annual gross Cash Base Fee of € 1,327,239 and a permanent Fixed Allowance of 2% of the annual gross Cash Base Fee. This Fixed Allowance was permanently added to the remuneration package as alternative for an indexation of the Cash Base, which was at that moment in time the preferred choice.
- Mr. Rider (CFO): An annual gross Cash Base Fee of € 940,950.
- Mr. Friese, when appointed to the Executive Board at the Annual General Meeting of Shareholders on May 15, 2020: An annual gross Cash Base Fee of € 1,485,000.

3.3 Variable Compensation

3.3.1 Variable Compensation level

The Executive is eligible for Variable Compensation with a target level of 80% of the Executive's annual Base Fee, with a threshold level of 50% and a maximum opportunity of 100% of their annual Base Fee[3].

3.3.2 Variable Compensation plan rules

The Executive's Variable Compensation is subject to the Aegon Group Material Risk Taker Variable Compensation Plan, which is the collective policy for all Material Risk Takers within Aegon. These plan rules have been adopted by the Supervisory Board and may be amended from time to time by the Supervisory Board (see 3.3.7 for the main rules of this plan).

3.3.3 Variable Compensation allocation

The Variable Compensation award is allocated by the Supervisory Board after the completion of the performance year, based on the results of pre-defined performance indicators, target levels and calculation rules (see 4.1 - 4.3 for more details), while also taking the behavior and development of the Executive into account. The Supervisory Board can adjust the calculated award downwards before allocation, based on the findings of the mandatory Ex-Ante Malus risk assessment. The Ex-Ante Malus assessment process and criteria are part of the Aegon Group Material Risk Taker Variable Compensation Plan.

Guaranteed Variable Compensation can only be allocated by the Supervisory Board in accordance with the applicable rules of the Dutch Financial Supervision Act. This currently means that the Supervisory Board can only allocate a guaranteed Variable Compensation award within the first year of the appointment of an external candidate as Executive, provided that Aegon's financial position is considered sound by the applicable standards.

3.3.4 Vesting Schedule

Once allocated, 33 1/3% of the Variable Compensation award will be paid for upfront in Cash as soon as reasonably practical after the completed performance year. The remaining 66 2/3% of the award will be deferred in Shares and will cliff-vest after 3-years as soon as possible after the adoption of the Aegon Annual Report in the year of vesting. The number of deferred Shares is calculated in accordance with the Aegon Group Material Risk Taker Variable Compensation Plan (i.e. based on the grant price as defined in this plan).

The Supervisory Board can adjust the deferred portion downwards before vesting, based on the findings of the mandatory Ex-Post Malus risk assessment. The ex-post assessment process and criteria are defined in the Material Risk Taker Variable Compensation Plan.

3 *In response to the applicable Dutch and European rules and regulations, the Executives and all other eligible Material Risk Takers can receive one Variable Compensation award per year. This award is subsequently split into upfront Cash and deferred Shares (see also 3.3.4). Aegon therefore does not operate separate Short and Long Term Incentive Plans.*

3.3.5 Shareholding requirement

The Shares that have been allocated to the Executive as Variable Compensation will be held for a total period of 5 years after allocation, before they are released to the Executive. This period consists of a 3-year vesting period and an additional 2-year holding period.

This means the Executive has a shareholding requirement based on time (i.e. 5 years after allocation) and not based on a relative amount compared to the annual Base Fee. For reference, once the Vesting Schedule is fully phased in, at least 135% of the Executive's gross annual Base Fee is structurally held in net Shares, assuming five years of at target Share allocation, the current income tax rate and no or moderate changes in the Annual Base Fee and Share price level.

3.3.6 Claw Back

The Supervisory Board has the authority to re-claim (i.e. claw back) any paid and vested Variable Compensation, in Cash or in Shares, in accordance with Dutch Financial Supervision Act and the Material Risk Taker Variable Compensation Plan, in case of but not limited to a material financial restatement or individual gross misconduct.

3.3.7 Collective Variable Compensation rules

At the date of the Policy approval, the main Variable Compensation Plan Rules for all Material Risk Taker (including the Executives) are:

- The Variable Compensation is conditionally granted and the conditional right to Variable Compensation is subject to the conditions precedent:
  - That, unless stated otherwise or approved by the Aegon, the Executive will remain employed within the Aegon uninterruptedly until the Vesting Date of each part of the Variable Compensation;
  - That the performance and development, the behavior and overall contribution are assessed (see also 3.3.3.);
  - An Ex-ante and an Ex-post Malus assessment has been carried out (see also 3.3.3 also 3.3.4).
- The grant price is the volume weighted average Share price on the Euronext stock exchange in Amsterdam, the Netherlands during the period December 15 preceding the plan year and January 15 of the plan year.
- In this context, the employment of the Executive is considered to be continued uninterruptedly in the case where the Executive's Board Agreement is terminated due to long-term ill health, disability, (early) retirement, death or reduction of work force or redundancy of the job or position of the Executive, without cause by the Participant, during the period until a vesting date and, consequently, such Executive is considered to be a Good Leaver. In addition, the Supervisory Board may, at its full discretion, declare an Executive to be a Good Leaver.
- In the event of termination of the Board Agreement of a Good Leaver during the plan year, in principle, the Variable Compensation that will be paid-out (including the number of conditionally granted Shares that will Vest) will be pro-rated to reflect the period of active service from the grant date until the termination date, subject to the final approval of the Supervisory board.
- Except in the event an Executive is considered a Good Leaver, the Variable Compensation that is conditionally granted will lapse on the date that the Board Agreement of the Executive is terminated prior to a vesting date.
- No dividend or interest will accrue on any part of the Variable Compensation before vesting.
- Vested Shares, whether or not subject to a holding period (see 3.3.5), will accrue regular dividends (if any) as from the vesting date.
- In connection with any actual or potential sale or change of control or a transaction concerning the sale of a subsidiary or business unit within Aegon, the Supervisory Board will take all such actions hereunder as it may determine to be necessary or appropriate to treat the Executive equal and equitably, including without limitation the modification or waiver of applicable performance indicators, and whether to establish or fund another arrangement intended for Variable Compensation.

3.4 Pension Arrangements

The Executive is entitled to Pension contributions that equal 40% of the gross annual Base Fee.

The Executive is enrolled in the applicable local employee pension plan(s). In the Netherlands this is a mandatory Individual Defined Contribution pension plan up to the applicable annual fiscal threshold on eligible earnings and an optional Individual Defined Contribution pension plan for eligible earnings exceeding this threshold.

If the sum of the Defined Contributions to these plans in a calendar year is less than the pledged Pension contribution level of 40% of the gross annual Base Fee, the Executive receives the difference in an annual contribution for Pension purposes in November of that calendar year.

3.5 Other Benefits & Arrangements

3.5.1 Sign-on and buy-out

The Supervisory Board may agree to a sign-on and/or buy-out arrangement in order to attract an external candidate to be appointed to the Executive Board. The arrangement can only be offered on an exceptional basis within the first year of joining the company, when this is in the long-term interest of Aegon and there are circumstances that justify such an arrangement. Examples of these circumstances are, but not limited to, competition in recruiting the same candidate (i.e. increased market value), competition from the candidate's employer, differences in compensation and benefits compared to the candidate's previous employer, loss of income by the candidate as a result of a non-compete period, the candidate losing unvested variable compensation at their previous employer and losing the variable compensation opportunity of the current performance year at the previous employer. When the arrangement replaces forfeited compensation (opportunity), it should be on substantially similar terms (e.g. deferral periods) and at the moment of conversion not more generous compared to the value that was lost.

Any sign-on or buy-out arrangement will be disclosed in the Remuneration Report.

3.5.2 Retention bonus

The Supervisory Board may allocate a retention bonus within the rules of the Dutch Financial Supervision Act. At the time of the Policy approval, these rules require that a retention bonus:

- Is necessary in the context of a structural organization change such as a merger, divestiture, a take-over or a major organizational internal restructuring, and;
- Solely serves to retain the Executive; and
- Together with the allocated Variable Compensation award do not exceed the bonus cap of 100% of the Executive's Fixed Compensation level.

Any retention bonus will be disclosed in the Remuneration Report.

3.5.3 Other benefits

The Supervisory Board may, but not limited to, offer the Executive the following other benefits:

- A Company Car in accordance with the local Company Car policy for employees;
- A driver for the Company Car for business related purposes;
- Reimbursement of the Executive's (fiscal) costs for the private use of the Company Car;
- Third party tax services to ensure compliance with the applicable tax law(s);
- To participate in other collective benefits which are offered to (local) Aegon employees, such as but not limited to the collective disability arrangement, collective health insurance and the Expat Policy. The Supervisory Board may also apply the collective (local) Aegon employee provisions regarding reimbursement of expenses, sickness-absence and disability to the Executive.

The Supervisory Board will not approve any personal loans, guarantees or the like to Executives, unless in the normal course of business and on terms that collectively apply (local) Aegon employees.

3.5.4 Grandfathered arrangements

The Supervisory Board may respect any arrangements between Aegon and the Executive, if the terms were agreed prior to the effective date of this Policy or if the terms were agreed before the individual was appointed to the Executive Board.

Mr. Wynaendts has a grandfathered arrangement, which is an additional annual contribution for Pension purposes of 28% of the gross annual Base Fee.

3.5.5 Termination Fee

The Supervisory Board may include a Termination Fee clause in the Executive's Board Agreement for certain scenarios for a Fee up to or equal to the total annual Base Fee.

However, there a Termination Fee is not allowed in case of:

- Early termination of the Executive on the initiative of the Executive, unless due to imputable acts or omissions of Aegon;
- Imputable acts or omissions by the Executive; or
- Failure of Aegon during the appointment term of the Executive.

4. Performance indicators for variable compensation

4.1 Performance Indicators

Each year Variable Compensation is allocated based on performance against a set of performance indicators, weights and target levels that have been agreed by the Executive with the Supervisory Board at the start of the performance year. Aegon allocates one Variable Compensation award, which is paid partially in upfront Cash and partially in deferred Shares (see also 3.3.4). The performance indicators for this Cash and Share based Variable Compensation award contribute to Aegon's strategy, long-term interests and sustainability, within Aegon's risk tolerance. Therefore the performance indicators are:

- A mix of financial and non-financial performance indicators, with at least 50% weight allocated to the non-financial performance indicators in accordance with article 1:118.3 of the Dutch Financial Supervision Act;
- A mix of unadjusted financial and risk-adjusted financial performance indicators, with a maximum weight for unadjusted financial indicators as defined in the Remuneration Framework. At the time of the Policy approval, this maximum is 45% of the total indicator weight (of financial and non-financial indicators combined);
- A mix of Aegon and personal performance indicators, which can range in weight between 50-80% and 20-50% respectively, depending on the Aegon priorities of the performance year;
- For at least 20% based on a retrospective 3-year performance horizon[4] and for the remainder based on a 1-year performance horizon, and;

4 *Given the nature of the Variable Compensation allocation method (i.e. no separate Short and Long Term Incentive plans), a performance indicator with an intended retrospective 3-year performance horizon will be phased in. For example, there will be a 1-year target for the 2020 performance year, a retrospective 2-year target for the 2021 performance year and a retrospective 3-year target from 2022 onwards.*

- At least containing one indicator from each of the following mandatory performance indicator categories:

Performance indicators		
Mix	Mandatory Categories	Examples
Aegon financial	Shareholders	Relative Total Shareholder Return.
	Capital	Total Capital Generation, Normalized Capital Generation, Solvency II ratio.
	Earnings	Return on Equity, Net Underlying Earnings, Underlying Earnings Before Tax, Earnings per Share.
	Growth	Market Consistent Value of New Business, Fees and Premium based Revenues, Annualized Revenue on Net Deposits.
Aegon non-financial	Stakeholders	Customer: Net Promotor Score, Number of Customers, Number of Products per Customer. Employee: Employee Training, Employee Turnover.
Aegon or personal non-financial	ESG	Environment: CO2 footprint. Social: Employee Engagement, Employee Diversity. Governance: Risk Management.
	Strategy	Strategy Execution, Business Transformation, Succession Planning, Cultural Transformation.

These categories, and therefore the resulting Cash and Share based Variable Compensation awards, are a carefully selected mix of key focus areas, which together contribute to Aegon's strategy, long-term interests and sustainability.

The Executive is incentivized by this Policy to contribute to the Aegon strategy also through the following mandatory performance indicator categories (see also 1.4):

- Capital: In order to execute its strategy, Aegon needs strong and stable Capital adequacy levels for its current businesses and for investing in growth businesses. Sustainable capital generation allows Aegon to return capital to its shareholders, including in the form of dividends, and provides it with financial flexibility.
- Growth: Measures the expansion of our customer base expressed in financial results, which is one of the key strategic focus areas.
- Strategy: Contributes most directly to a successful execution of Aegon's strategy by focusing on the execution of the most essential processes and/or projects at that moment (e.g. timing, costs and quality).

To align the Executive to Aegon's long-term interests, the following mandatory performance indicator categories are included in this Policy (see also 1.4):

- Shareholders: Focuses specifically on the long-term financial value creation for Shareholders, as one of the key long-term interests of Aegon.
- Earnings: Positive earnings are a prerequisite for Aegon to continue operate and create value for its Stakeholders and societies in the long-term.
- Other Stakeholders: Alongside the Shareholders, Aegon has a range of important Stakeholders, such as customers and employees. For Aegon's customers long-term value creation means offering protection through our products and services, paying claims and benefits, providing returns on savings and investments and helping to build long-term financial security. For Aegon's employees long-term value is created by paying salaries and other social benefits, providing a safe, fulfilling environment in which to work and offering training and career opportunities.

Aegon is committed to doing business responsibly and in a sustainable way, for which the Executive is incentivized in this Policy through the ESG performance indicator category (see also 1.4):

- ESG: Ensures a focus on the non-financial long-term value creation for Stakeholders and/or the society, related to Environment, Social and/or Governance (ESG).

Each year the Supervisory Board will disclose the selected performance indicators and weights at the start of the performance year in the Remuneration Report of the previous year. For example, the 2019 Remuneration Report will contain the performance indicators and weights for the 2020 performance year.

4.2 Target Setting

At the start of the performance year, the Supervisory Board approves a minimum (threshold), at-target, and a maximum level for each of the Aegon and personal performance indicators. These levels can be quantitative or qualitative in nature.

Target levels for financial indicators are directly derived from the annual Budget / MTP numbers. Other target levels should be chosen such that they are attainable and realistic, yet at the same time challenging.

The minimum and maximum levels around target are based on:

- The inherent sensitivity of the metric to economic assumptions;
- Prior year experience in reaching threshold /maximum target levels;
- Deviation from current year's plan to prior year's plan and
- Absolute level of the target.

The Supervisory Board is supported in the target setting process by business experts such as Finance, Human Resources and Risk.

4.3 Calculation of Variable Compensation

After completion of the performance year a comparison will be made between the predetermined target levels and the actual, realized performance.

The following scale will be used for the Group and personal performance indicators.

Performance Indicators - Target Level and Performance Measurement Scale					
Performance Level	Below threshold / minimum	Between minimum and target	Target	Between target & maximum	Maximum
Realized performance	0%	From 50% to 80%	80%	From 80% to 100%	100%

When measuring the results on qualitative targets, the performance level is first established using the qualitative performance level descriptions and then matching percentages are applied.

Each year Variable Compensation is allocated based on performance against the set of performance indicators, weights and target levels that have been agreed by the Executive with the Supervisory Board. The result for each performance indicator and the related Variable Compensation calculation will be disclosed in the Remuneration Report each year.

5. Other conditions

5.1 Other conditions

The Supervisory Board may include other conditions which are common in a board agreement. Examples are a confidentiality, a disclosure clause and other collective (non-remuneration) employee policies, such as a Code of Conduct, Insider Dealing Policy and Conflicts of Interest Policy.

5.2 No hedging or insurance to undermine risk alignment

The Executive is not allowed to use personal hedging strategies or insurance that could be used to undermine the risk alignment effects imbedded in their remuneration arrangements.

5.3 Non-compete and non-solicit

The Supervisory Board may include a non-compete and a non-solicit clause in the Executive's Board Agreement.

6. Termination and Notice Period

6.1 Termination by operation of law

The Executive's appointment is terminated by operation of law after completion of the term for which the Executive was appointed or when Shareholders terminate the appointment of the Executive in accordance with the requirements laid down in the Dutch Civil Code and Articles of Association of Aegon N.V. For these scenarios, the Board Agreement will include a clause on the subsequent termination of the Board Agreement, which may include a notice period clause and a Termination Fee clause.

6.2 Termination by Executive

The Executive may terminate the Board Agreement with a three month notice period during the appointment.

6.3 Termination by the Supervisory Board

The Executive's Board Agreement may be terminated by Aegon, represented by the Supervisory Board, with immediate effect and with no notice being required during the appointment, with no obligation for Aegon to pay damages and with no entitlement for the Executive to a Termination Fee, in the event of:

- Acts or omissions of the Executive which constitute an urgent cause, imputable acts or negligence, a disturbed relationship or seriously culpable actions or neglect of the Executive in fulfilling his duties; or
- Acts or omissions on the side of the Executive which constitutes gross negligent behavior of the Executive, including but not limited to a situation where any Dutch authority supervising the activities of Aegon takes the view that the Executive cannot continue in his position any longer.

In all other cases, Aegon may terminate Executive's Board Agreement with a six month notice period.

7. Verification

All calculations made to determine compensation under this Policy are verified by the independent external auditor and the Supervisory Board's Remuneration Committee.

ANNEX I: Peer Group selection for assessments of remuneration competitiveness

One of the sources against which the Supervisory Board assesses the competitiveness of the Executive's remuneration structure and levels are the peer companies.

For this purpose the Supervisory Board selected a primary set of peer group companies according to the following criteria:
- Industry: Insurance, with a preference for Life Insurance;
- Size: Average Market Capitalization, Employees, Revenue and Total Assets;
- Geographic scope: Preferably companies which operate globally;
- Location: Headquarters based in Europe.

Based on these criteria, the current peer group consists of the following 16 European Insurance companies: Ageas, Allianz, Aviva, AXA, CNP Assurances, Assicurazioni Generali, Legal & General, Mapfre, Münchener Re, NN Group, Prudential, RSA Insurance Group, Swiss Life Holding, Swiss Re, Talanx and Zurich Insurance Group. The last update of this peer group was in 2020. Ageas, RSA Insurance Group, Swiss Life Holding and Talanx were added, while Old Mutual and Standard Life Aberdeen were removed. The increased peer group size (from 14 to 16) created a more balanced selection around Aegon's size data (Average Market Capitalization, Employees, Revenue and Total Assets). This peer group partially differs from the European peer group for the Supervisory Board, as a result of excluding the UK companies where non-executive directors typically have different responsibilities compared to their continental European counterparts.

In addition, the Supervisory Board selects a secondary peer group according the following criteria, in order to monitor alignment with the General Industry in the Netherlands:
- Industry: General Industry and listed on the AEX;
- Size: Average Market Capitalization, Employees, Revenue and Total Assets;
- Location: Headquarters based in the Netherlands.

Based on these criteria, the current secondary peer group consists of the following 12 AEX companies: Ahold Delhaize, ING Group, Randstad, Heineken, NN Group, Philips, ABN AMRO, Akzo Nobel, ASML, DSM, KPN and Wolters Kluwer. The last update of this peer group was in 2019, when ING, NN Group, ABN AMRO, DSM and Wolters Kluwer were added, replacing ArcelorMittal, RELX Group, Royal Dutch Shell, Unibail-Rodamco and Unilever. This peer group is equal to the Dutch peer group for the Supervisory Board.

The Supervisory Board will annually review both peer groups and can amend these, within the above-mentioned selection criteria, to ensure they continue to provide a reliable basis for comparison. Any change to the peer group will be disclosed in the Remuneration Report.