

Aegon sustainable procurement policy



Introduction

Aegon N.V., through its operating subsidiaries, is a leading provider of life insurance, pensions and asset management. The company is also active in accident, supplemental health, general insurance, and some banking products and services. Aegon's main markets are the United States, the Netherlands and the United Kingdom. The company is present in more than 20 countries in the Americas, Europe and Asia, employing approximately 24,000 people. Its core purpose is to help people take responsibility for their financial future.

Aegon recognizes that its activities are not typically associated with significant supply chain risks. Because of its size and geographical scope however, Aegon is still an important purchaser of goods and services – mainly in the following categories:

- ◆ **Professional services:** business and administrative support from specialized advisors, consultants, actuarial and accounting services;
- ◆ **ICT:** purchasing and leasing of servers, computers and hand-held devices, software and associated support services, IT infrastructure and IT application development;
- ◆ **Human resources:** temporary and long-term provision of insurance and investment professionals, business support staff and other personnel; and car leasing, travel services and other personnel-related products and services;
- ◆ **Facilities:** building services, catering services, energy, paper, coffee, drinking water and other office supplies;
- ◆ **Outsourcing of business processes:** purchase of data, research and analytical services, systems and administrative processing, call centers and other processes.

Purpose

Aegon is committed to high standards of business conduct as reflected in the Aegon Code of Conduct. Aegon expects all its suppliers to adhere to similar good working standards and business ethics. Moreover, the aim of this policy is to enable Aegon to identify and manage the most material business conduct, social and environmental risks (also referred to as sustainability risks) associated with its procurement of goods and services, and to create a positive and constructive relationship between the company, its suppliers, and the societies in which they operate. This reinforces Aegon's broader aim – through its business activities – to contribute to wellbeing and sustainable economic development.

This policy establishes a company-wide sustainable procurement process applicable to all country, regional and Business Units (collectively termed "Business Units"), and departments co-ordinating Aegon's procurement throughout activities. It complements other Aegon policies relevant to procurement, including outsourcing, data quality, business disruption, and information security. The approach in this policy is aimed at setting out clear, transparent and non-discriminatory standards of conduct for the company's suppliers, and helping Aegon to identify areas of significant social and environmental risk and opportunity. Under this policy, Aegon's Business Units and procurement co-ordinators are responsible for engaging with suppliers to ensure these company-wide standards are upheld for its main suppliers and those presenting specific sustainability risks. Aegon companies seek to build long-term relationships with those business partners who share similar core values and business principles. Aegon seeks to do this based on open, honest and clear business principles and in particular through the business conduct standards set out in this policy.

Scope

This policy applies to all wholly or majority-owned Aegon companies, where Aegon has management control. In cases where Aegon has an equity interest but no management control, the company will use its influence to apply the spirit of this policy.

The scope of this policy is defined by the following:

- ◆ Goods and services bought or contracted by Aegon in the course of the company's day-to-day business operations.
- ◆ All forms of procurement including – but not limited to – purchasing, leasing, contracting, franchising, licensing or sub-contracting.

This Policy does not apply to property leases, individuals who are acting in the role of independent contractors or to suppliers solely involved in carrying out asset management mandates, managing external funds, acting in the role of agent for offering and servicing clients with Aegon's products, or otherwise engaged in the distribution of Aegon's products and services. Such relationships are governed by dedicated policies and/or specific contractual agreements

This general policy is based on Aegon's Code of Conduct and on a number of applicable international standards. Where there is no conflict with this policy, Business Units and departments co-ordinating procurement activities may adopt additional practices and standards to meet local regulatory or other stakeholder requirements.

Application

Aegon's procurement activities cover a wide spectrum of products and services, ranging from large global IT services contracts to single transaction purchases of, for instance, catering and promotional products. They involve a wide variety of suppliers, including multinational companies, regional and national entities, as well as small local businesses and individuals. The application of this policy is aimed at taking account of this diversity, as well as the factors which affect Aegon's ability to address its suppliers on key business conduct, social and environmental issues.

In applying this policy, Aegon also recognises that its procurement of goods and services is one end of a number of supply chains involving a variety of different companies, organisations and individuals. Aegon seeks to use its purchasing power, organisational resources, and its influence to promote positive business conduct, social and environmental impacts along each of these supply chains. However a number of factors – for instance, the nature of the individual goods & services, the extent to which they are specifically tailored to Aegon's needs or are purchases of standard products, the organisation of the supply chain itself, and the availability of information – affect Aegon's ability to address its suppliers in any given situation. In some instances, Aegon may procure goods and services from a multinational company or a regional distributor and in some cases it may account for a very small proportion of the overall market for specific goods & services. No single approach is appropriate for all supply chains and each individual intervention needs to reflect the realities of the specific supply chain. As a result, Aegon does not target absolute objectives or guarantee improvement as a result of this policy, but commits to the endeavour of enhancing the sustainability of its procurement approach and among its suppliers.

Aegon has created a systematic approach to meeting its responsibility to choose business partners who are able to support the company's objectives on sustainability. This is the basis for transparent and non-discriminatory supplier pre-qualification, selection, contractual arrangements, or licensing and franchising arrangements.

All suppliers within the scope of this policy will be subject to a regular risk assessment to determine whether they are key suppliers. A key supplier is one where such factors as size, importance, and activities may indicate the potential for a higher level of sustainability risks, and for whom some additional management of these risks may be advisable. Further steps in applying this policy will be applied to these key suppliers. Specifically, Aegon will ask all key suppliers, including those with contracts with an aggregate value exceeding EUR 200,000 in a year, to sign a Supplier Sustainability Declaration either during the quotation process or when existing contracts are being renewed.

Sustainable procurement standards

Aegon aims to ensure that its suppliers meet material standards with respect to both the conduct of their business and their management of social and environmental issues. Aegon's goal is for its suppliers to abide by the company's business conduct principles, including demonstrating business integrity and respecting the principle of free and fair competition. Therefore Aegon expects its Business Units to include the standards set out below in supplier contracts, with a particular focus on key suppliers.

These transparent and non-discriminatory conduct standards are based on Aegon's Code of Conduct and the company's Human Rights Policy. To develop this policy, Aegon has also referred to a number of other international initiatives and conventions, including:

- ◆ UN Declaration of Human Rights
- ◆ International Covenant on Civil & Political Rights
- ◆ International Covenant on Economic, Social and Cultural Rights
- ◆ The core standards of the International Labour Organization (ILO)
- ◆ OECD Guidelines for Multinational Enterprises and Principles of Corporate Governance.
- ◆ The UN Global Compact

Aegon expects its suppliers to comply with the following standards. Suppliers unable to meet these standards, or who subsequently discover that they fall short of one or more standards, are expected to inform Aegon of the fact and to undertake remedial action as soon as reasonably possible. Aegon retains the right to take appropriate measures in case of significant breach of laws and regulations, and in case of potential significant financial and/or reputational loss to Aegon.

(1) Complying with laws and regulations

All suppliers must comply with applicable laws and regulations. They are expected to honor applicable industry standards, international treaties, and internationally-accepted standards and agreements relevant to their activities.

(2) Suppliers' systems and controls

Suppliers are expected to understand the business conduct, social and environmental issues involved in their activities. They are expected to establish and maintain governance and control systems which are appropriate to the nature and scale of their activities, and the level of business conduct, social and environmental impacts and risks.

Suppliers are also expected to have established systems for managing their own suppliers, and for ensuring that appropriate standards of business conduct, social and environmental behaviour are applied in their own procurement decisions.

(3) Business conduct

Suppliers will conduct their business with Aegon and other customers in a responsible manner, and abide by minimum standards of business integrity and applicable laws and regulations. These include, but are not limited to, standards on bribery and corruption, money laundering competition, fair payment, fair representation, conflicts of interest, and product safety.

Bribery and corruption:

Suppliers are strictly forbidden from offering any bribe (consisting of money or anything of value) to public officials, irrespective of their worth, its results, local custom, the tolerance of such payments by local authorities, or the alleged necessity of the payment in order to obtain or retain business or any other advantage. Suppliers are forbidden from seeking to obtain new business or any other improper commercial advantage by allowing undue payments to be made.

Preventing money laundering:

Suppliers shall not participate in any activity aimed at laundering money. In addition they must not provide assistance to any person or organization trying to benefit from proceeds of a criminal act or illegal activity or controlling funds invested for the benefit of a terrorist organization.

Competition

Suppliers shall refrain from directly or indirectly engaging in any discussion or activity that constitutes anti-competitive behavior or in any other way violates anti-trust provisions.

Fair payment

Suppliers are expected to acquire products and services in accordance with sound business practice, for legitimate commercial reasons, and will provide an appropriate remuneration and payment terms for goods and services rendered.

Fair representation

Suppliers are expected to fairly represent the benefits of their goods, products & services in ways that are fair, clear and meet with customers evolving long-term needs. They should not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

Conflicts of interest

Suppliers should avoid any actual or apparent conflict of interest. Suppliers are required to communicate potential conflicts of interest to their local Aegon counterparty.

Product safety

Suppliers are expected to provide goods & services that meet agreed or legally required standards for consumer health and safety, including those relating to health warnings and safety information.

(4) Social

Suppliers are expected to recognize and either avoid or minimise any adverse impacts and risks of their activities on social well-being, particularly where they are directly involved in the provision of human resources or make use of a workforce, for instance in manufacturing or assembly:

Eliminating forced or compulsory labor

Suppliers should not use forced or compulsory labor practices, and must take steps to ensure they do not contribute to the use of forced or compulsory labor, in compliance with the core standards of the ILO.

Effectively abolishing child labor

Suppliers should not use child labor, and must take steps to ensure they do not contribute to the use of child labor, in compliance with the core standards of the ILO.

Fair wages

Suppliers should provide the wages, benefits and conditions of work, that represent just and fair remuneration with transparent payment terms within the framework of government policies and in compliance with the standards of the ILO. These wages, benefits and conditions should reflect the economic position of the supplier, but must also be sufficient to satisfy the basic needs of workers and their families. Suppliers are expected to provide all workers with written and understandable information about their terms and conditions of employment, including payment.

Working hours

Suppliers are expected to ensure that working hours comply with national legislation and applicable international guidelines.

Respecting human rights

Suppliers should uphold internationally recognized human rights, and are expected to be guided by Aegon's human rights policy and avoid complicity in the abuse or violation of internationally-proclaimed human rights standards.

Non-discrimination

Suppliers should refrain from any discriminatory practices either with regard to recruitment, promotion, pay or bonuses, or in their general conduct in the workplace. Company policies, procedures and practices should be applied fairly, should avoid negative impact on any specific group of employees or potential employees and, wherever possible, should promote diversity and non-discrimination, whether on the grounds of race, disability, religious belief, sexual orientation, age or gender.

Safe and healthy working environments

Suppliers are expected to provide a safe, hygienic and healthy working environment for employees, and provide adequate training to workers on these matters. Aegon companies are committed to providing employees with a safe working environment.

Freedom of association, meetings and collective bargaining

Suppliers should respect the rights of employees to associate freely, to join or not join labor unions and works councils, and seek representation in accordance with local laws. Where national law substantially restricts the formation and operation of workers' organizations, suppliers will not prevent workers from developing alternative mechanisms to express their grievances and protect their rights. In other cases, suppliers will not discourage workers from electing worker representatives, forming or joining workers' organizations of their choosing, or from bargaining collectively, and will not discriminate or retaliate against workers who seek to do so.

Grievance procedures

Suppliers are expected to enable employees to communicate openly with management regarding working conditions without fear of reprisals, intimidation or harassment. Suppliers should also have grievance mechanisms in place to allow complaints from other stakeholders to be heard, assessed, and – if necessary – remedied as expeditiously as possible.

Contract workers

With respect to contracted workers, suppliers are expected to ascertain that third parties engaging these workers are reputable and legitimate, and will regularly monitor the performance of these third parties against the standards of conduct outlined in this policy.

(5) Environment

Suppliers should recognize and manage their environmental impact, and are expected to offer compensation to those affected by any damage they cause to the environment.

Product or service development

Suppliers are expected to take environmental concerns into consideration during each phase of production or service development and delivery. This includes developing products with no undue environmental impacts, are safe in their intended use, are efficient in consumption, and can be reused, recycled or disposed of safely.

Resource use and waste

Suppliers are expected to monitor, control and reduce the use of resources that are material to their business, including energy, water and other commodities.

Responsible management of environmental impacts

Suppliers are expected to avoid, or where unavoidable to minimise or mitigate, air emissions and water discharges, and to safely treat, store, transport, use and discharge or dispose of solid waste and by-products.

Contingency plans

Suppliers are expected to maintain contingency plans for preventing, mitigating and controlling serious environmental and health damage arising from their operations.

Procurement process

With this policy, Aegon's aim is to establish a process that identifies risk, integrates business conduct, social and environmental standards into its procurement activities, and, where required, allows for engaging suppliers on improving their performance.

1. Sustainability assessment

All of Aegon's country units and departments co-ordinating procurement activities will undertake an initial assessment, by January 2014, of their existing suppliers and procurement contracts to establish the business conduct, social and environmental risks associated with their procurement activities. This assessment will identify, for each Business Unit, suppliers that are to be classified as key suppliers. It will be reviewed and updated every two years.

2. Sustainability declaration

Aegon requires all key suppliers, including suppliers with an aggregate of contracts of more than Euro 200,000 in a year to sign a separate Supplier Sustainability Declaration confirming that they meet the standards of conduct outlined in this policy. This Supplier Sustainability Declaration will form a part of the terms and conditions of all key procurement contracts and can be integrated into terms and conditions, or a separate document signed ahead of the contractual agreement. Suppliers unable to meet these standards are expected to inform Aegon of the fact. Suppliers who sign the declaration and subsequently discover that they fall short of one or more of the standards will inform Aegon immediately, and undertake remedial action as soon as possible.

The right of Aegon to use auditors and / or other external sources to verify responses given by key suppliers is included as part of the Supplier Sustainability Declaration.

3. Supplier engagement

Suppliers who are unable to meet the standards in this policy or who otherwise represent a potentially significant business conduct, social or environmental risk will be reviewed by Aegon for further engagement.

Aegon reserves the right to exclude suppliers whose practices, policies or procedures do not conform to the transparent and non-discriminatory conduct standards outlined in this policy. Aegon will make clear to any company that it chooses to exclude the reasons for this action.

Where relevant and applicable to the business environment, Aegon wishes to encourage an overall improvement in the way that suppliers manage social and environmental impacts. In some cases, this can be achieved in partnership with individual suppliers or in convening discussion among a number of suppliers of a particular issue. Aegon Business Units are encouraged to develop such engagement programs and approaches.

4. Contact point

In applying this policy, Aegon aims to be as transparent as possible with its suppliers. Suppliers are encouraged to contact the Aegon unit with which they contracted to provide products, goods or services should they have any questions on this policy or any suggestions that would help further Aegon's or the supplier's sustainability goals.

Reporting

Aegon will report regularly on the implementation of this Sustainable Procurement Policy in its communications on sustainability, principally through the company's Annual Review, Sustainability Supplement and website (www.aegon.com). Aegon's reporting will take into account any future guidance issued by the Global Reporting Initiative on supply chain disclosure.

Implementation

This policy has been adopted by the Aegon N.V. Management Board. The policy is subject to continuous review. All changes must be approved by the Aegon N.V. Management Board. All Aegon Business Units that fall within the scope of this policy are responsible for implementing the standards contained in it. These Aegon Business Units are also responsible for monitoring local procurement activities and for ensuring their compliance with the terms of this policy, as well as that of their suppliers. Business Units will refer to this policy in general procurement terms & conditions, where these exist, and ensure that the Supplier Sustainability Declaration is presented to all relevant suppliers.

In each location, the main Aegon signatory for vendor contracts shall be responsible for ensuring implementation. Managers overseeing procurement activities are responsible for overseeing implementation of this policy, and for reporting significant risks and violations. Compliance is integrated into the company's local and group-level systems for risk and compliance management. Local officers may escalate issues if they feel there is inadequate local management attention.

Aegon provides an internal toolkit to help Business Units to implement this policy, including carrying out risk assessments, using the Supplier Sustainability Declaration and engaging with suppliers.

Developments

Aegon reserves the right to amend this policy in line with best practice in this area and its own experience with sustainable procurement. Aegon will communicate to key suppliers and other stakeholders any material changes as and when they occur. For further information about the company's approach to sustainable procurement, please contact: sustainability@aegon.com