



EXPLANATORY NOTES

Since AEGON N.V. was formed through the merger between AGO Holding N.V. and Ennia N.V. in 1983, AEGON N.V. has applied the so-called large company regime. This regime was introduced in Dutch corporate law in the early seventies to apply to large companies in the Netherlands.

The main characteristic of the large company regime is that certain authority, normally vested with shareholders, is vested with the Supervisory Board. The Supervisory Board has the right to appoint and remove its own members and the members of the Executive Board, and to adopt the annual accounts (which are subsequently approved by the General Meeting of Shareholders).

Although in 1983 AEGON N.V. already had businesses outside the Netherlands, it was largely a Dutch company at that time, for which the large company regime was appropriate. During the past twenty years AEGON N.V. has developed into a leading global life insurance provider, with well over sixty percent of its activities outside the Netherlands and more than 85 percent of its employees working outside the Netherlands. Therefore, AEGON N.V. has considered whether the large company regime is still appropriate for it.

Following internal discussions, AEGON N.V. has decided to propose a number of changes to its corporate governance, with the purpose to modernize AEGON N.V.'s corporate governance structure and to give more authority to shareholders. AEGON N.V. believes these changes to be consistent with emerging global best practices in corporate governance nowadays.

The changes include:

Large company regime

AEGON N.V. will eliminate its voluntary application of the Dutch large company regime. The (mitigated) large company regime as a result will be applied at the level of AEGON The Netherlands.

After elimination of the large company regime, the Supervisory Board of AEGON N.V. will no longer appoint or remove members of both the Supervisory Board and of the Executive Board. In the proposed situation the General Meeting of Shareholders will have the authority to appoint and remove members of both the Supervisory Board and the Executive Board, which, if this takes place other than at the nomination from the Supervisory Board, will require a 2/3rd majority vote in a General Meeting of Shareholders representing over 50 percent of AEGON N.V.'s issued share capital.

Under the large company regime, a number of resolutions of the Executive Board are subject to the approval of the Supervisory Board. It is being proposed to the General Meeting of Shareholders, however, that going forward the Supervisory Board will continue to have the authority to approve certain major corporate transactions such as the issuance of shares, forming of joint ventures or the investment in another company.

The complete list of resolutions subject to Supervisory Board approval has been included in the proposed new Articles of Association.

Under the large company regime the annual accounts are adopted by the Supervisory Board and approved by the General Meeting of Shareholders. In the new situation the annual accounts will be adopted by the General Meeting of Shareholders.

The Association

Until September 2002, the Association was AEGON N.V.'s major shareholder, owning approximately 52 percent of AEGON N.V.'s voting power. As a result of the recapitalization of AEGON and the secondary offering by the Association in September 2002, the voting power of the Association was reduced as of that date to 33 percent. The Association currently owns all of the outstanding preferred shares and approximately twelve percent of the outstanding common shares.

The Association reinvested part of the proceeds of the September 2002 sale in AEGON N.V. through an increase of paid-in capital on existing AEGON preferred shares held by the Association. In connection therewith it is proposed to the General Meeting of Shareholders to reduce the number of outstanding preferred shares from 440.000.000 to 211.680.000 and to increase the nominal value per preferred share to 25 eurocent. By doing that, the economic value and the voting power of the common shares and the preferred shares (based on the share price of a common share in September 2002) will be the same.

In line with what was announced in September 2002 and subject to the changes proposed to AEGON N.V.'s corporate governance the Association has agreed to reduce its voting rights under normal circumstances, based on the general principle of one vote per common share and one vote per preferred share.

The voting rights under normal circumstances will be calculated by dividing the number of preferred shares and common shares held by the Association by the total number of voting shares of AEGON N.V. At present, this is 23.6 percent.

However, in the event of a special cause, such as a hostile takeover bid, the Association will be entitled to exercise its full voting rights of 33 percent. This full voting power is based on one vote per common share and 2.08 votes per preferred share. This full voting power per preferred share is the result of the increase of the nominal value per preferred share.

The Association's agreement to limit its voting power with respect to each preferred share to one vote per share under normal circumstances, is incorporated in the Preferred Shares Voting Rights Agreement between the Association and AEGON N.V. Through the agreement the Association will comply with its obligation to disclose how it will use its full voting power.

The Association shall determine itself whether a special cause, such as a hostile takeover, exists. The Association will have the right to exercise full voting power on its preferred shares for up to six months per special cause.

The key principle is that the voting rights on the preferred shares will be limited to one vote per share under normal circumstances. If the Association is of the opinion that a special cause exists, the Association will communicate this to the General Meeting of Shareholders. For each special cause the use of the full voting power will expire six months after this communication and than the voting rights on the preferred shares will once again be limited to one vote per share.

Pursuant to the 1983 Merger Agreement, the Association has the option to take additional preferred shares so as to protect the Association against dilution to below 50 percent as a result of a new share issuance by AEGON N.V. According to the new situation the anti-dilution protection will be reduced to the level of 33 percent. Pursuant to this option the Association will have the right to take preferred shares each time AEGON N.V. issues common shares that would dilute the voting power of the Association. The Association is entitled to take so many preferred shares as to avoid dilution of its voting power below 33 percent. Any new preferred shares issued pursuant to this option will be designated as class B preferred shares. The existing preferred shares will be designated class A preferred shares.

The representation of AEGON N.V. in the board of the Association will be reduced. The board of the Association will have seven members, two of whom are appointed by AEGON N.V. The current two members of the Supervisory Board of AEGON N.V. sitting on the board of the Association will resign and terminate their membership of the Association.

The changes in AEGON N.V.'s corporate governance will be submitted to the General Meeting of Shareholders for approval as an inclusive proposal, comprising the amendment to the Articles of Association of AEGON N.V., the Preferred Shares Voting Rights Agreement and the Amendment of the 1983 Merger Agreement.

AEGON The Netherlands

The Dutch large company regime will apply AEGON The Netherlands in a mitigated form.

The Central Works Council has positively advised with regard to the proposed changes in corporate governance. These changes will have the following effect on employee participation.

A covenant which regulates the consultation structure between the Executive Board of AEGON N.V. and the Central Works Council already exists. This covenant will be amended, because it was agreed that, as a result of the changes in corporate governance, the Central Works Council will be entitled to recommend one member of the Supervisory Board of AEGON The Netherlands.

With this agreement, AEGON N.V. and the Central Works Council anticipate a bill already introduced in the Dutch Parliament, as a result of which the Central Works Council will have enhanced authority regarding the appointment of Supervisory Board members.

Furthermore, it has been agreed that the Central Works Council will be consulted concerning the nomination of one member of the Supervisory Board of AEGON N.V.

Statement of Morris Tabaksblat, chairman of the Supervisory Board of AEGON N.V.:

"If shareholders agree to the proposals, AEGON N.V. will have a modern corporate governance regime, adapted to meet international corporate governance standards, in which there is a clear role for the Supervisory Board members, for management and for shareholders. By eliminating the Dutch large company regime, the influence of shareholders will increase. I am convinced that, with this modernization, the interests of all parties directly or indirectly involved with AEGON N.V. will be served equally and fairly".

Statement of Don Shepard, chairman of the Executive Board of AEGON N.V.:

“In 1983, when AEGON was established, a logical choice was made in favor of the large company regime, since AEGON at that time was largely a Dutch company. Over the past twenty years AEGON has developed into a leading, multinational life insurance group. With the coherent set of changes proposed to our shareholders we will be able to enhance this development. With the new corporate governance AEGON will keep up with the requirements currently expected of a transparent multinational corporation”.

Statement of Pé Kohnstamm, chairman of the Association AEGON:

“The Association feels entirely comfortable with the forthcoming changes in AEGON N.V.’s corporate governance. The role of shareholders is completely clear. We are especially pleased that a good interpretation will be given to the role of the Association AEGON. We will be able – in accordance with our objectives – to continue to look after the interests of all stakeholders of AEGON N.V. And under very special circumstances, we will be able to protect shareholders, policyholders and staff temporarily, so that management will have the chance to balance the pros and cons of any opportunities”.

Statement of Jan Lautenbach, chairman of the Central Works Council:

“The Central Works Council acknowledges that AEGON has to update its corporate governance from time to time. I would like to emphasize that the coming changes are legal in character and will not influence the position of our employees. We have discussed the proposed changes in all openness and in a harmonious way. We are satisfied with the final outcome and are pleased with the way employees’ representation at group level is arranged”.