

**Aegon Nederland N.V.**  
**Voting Policy**  
**February 2015**

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# 1 Introduction

In this document Aegon Nederland N.V. describes how it makes use of its voting rights for Dutch listed companies and other selected foreign companies. Aegon Investment Management B.V. (AIM) is responsible for the implementation of this voting policy. AIM is part of Aegon Asset Management (AAM): the global asset management organization within the Aegon group.

Assets are managed for the account of clients as well as for Aegon's own account. Client assets include both assets that belong to individual and institutional third party investors and the assets of mutual funds managed by Aegon.

Aegon's policies and activities are focused on protecting and enhancing the economic value of the companies we are invested in. Aegon believes that exercising our rights as shareholders in the companies we invest in, contributes to the goal of providing an optimal return to our clients. Apart from exercising voting rights at shareholder meetings, we also have a regular dialogue with management or board members of investee companies on environmental, social and corporate governance matters.

AIM will vote on all meetings of Dutch listed companies, to the extent that shares of these companies are held in the portfolio. For the execution of its voting rights, AIM makes use of the services of Institutional Shareholder Services (ISS) to ensure that all votes are cast in line with what we consider to be in the best interest of our clients. For case-by-case items, as identified in this customized voting policy, ISS gives a voting advice. AIM can choose not to follow this advice and can decide to vote differently. In the event that our securities of Dutch listed companies are lent, we will recall the shares to preserve our voting rights. The underlying principles of this voting policy are founded primarily in the Dutch corporate governance code, Eumedion best practices and ISS proxy voting guidelines.

AIM also votes on actively managed foreign shares. For these investments we apply a threshold: our stake in the company's outstanding shares must be 0.1% or more. The execution of these votes is done by Kames Capital, the UK subsidiary of AAM. For these votes we will follow the appropriate regional best practices. Where regional best practice is not clearly defined, we will look to international best practice codes such as the Organization for Economic Co-Operation and Development (OECD) Principles of Corporate Governance and International Corporate Governance Network (ICGN) Statement of Principles on Institutional Shareholder Responsibilities. We do not vote in share blocking markets.

There may be a conflict of interest if we invest in a company that has a business relationship with us, or if we hold both bonds and shares in the same company. In these circumstances, we put the interests of our clients first. When conflicts arise, we will identify where our fiduciary responsibility lies and act accordingly. To reduce the potential conflicts of interest, we do not vote the shares that we hold in Aegon N.V.

Records are kept of all votes cast. All votes cast are published within three months on our website.

## 2 Operational items

### 2.1 Financial Results/Director and Auditor Reports

Vote for approval of financial statements and director and auditor reports, unless:

- There are concerns about the accounts presented or audit procedures used; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

### 2.2 Appointment of Auditors and Auditor Fees

Vote for proposals to ratify auditors and/or proposals authorizing the board to fix auditor fees, unless:

- There are serious concerns about the procedures used by the auditor;
- There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;
- External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- The name of the proposed auditors has not been published;
- The auditors are being changed without explanation; or
- For companies on the local main index or MSCI-EAFE index, fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, emergence from bankruptcy, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, Aegon will focus on the auditor election. For concerns relating to fees paid to the auditors, Aegon will focus on remuneration of auditors if this is a separate voting item, otherwise Aegon would focus on the auditor election.

### 2.3 Appointment of Internal Statutory Auditors

Vote for the appointment or reelection of statutory auditors, unless:

- There are serious concerns about the statutory reports presented or the audit procedures used; or
- Questions exist concerning any of the statutory auditors being appointed; or
- The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

### 2.4 Allocation of Income

Vote for approval of the allocation of income, unless:

- The dividend payout ratio has been consistently below 30 percent without adequate explanation; or
- The payout is excessive given the company's financial position.

### 2.5 Amendments to Articles of Association

Vote amendments to the articles of association on a case-by-case basis.

## **2.6 Change in Company Fiscal Term**

Vote for resolutions to change a company's fiscal term unless a company's motivation for the change is to postpone its AGM.

## **2.7 Lower Disclosure Threshold for Stock Ownership**

Vote against resolutions to lower the stock ownership disclosure threshold below 5 percent unless specific reasons exist to implement a lower threshold.

## **2.8 Amend Quorum Requirements**

Vote proposals to amend quorum requirements for shareholder meetings on a case-by-case basis.

## **2.9 Transact Other Business**

Vote against other business when it appears as a voting item.

## 3. BOARD OF DIRECTORS

### 3.1 Non-contested Director Elections

Vote for management nominees in the election of directors, unless:

- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests;
- The board fails to meet minimum corporate governance standards;
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and
- Repeated absences at board meetings have not been explained.

In addition to these general factors, Aegon may vote against due to concerns related to at least one of the following specific factors, which are presented below as separate subsections:

- 1 Director Terms
- 2 Bundling of Proposals to Elect Directors
- 3 Board independence
- 4 Disclosure of Names of Nominees
- 5 Combined Chairman/CEO
- 6 Election of a former CEO as Chairman of the Board
- 7 Overboarded Directors
- 8 One board seat per director
- 9 Composition of Committees

#### 1. Director Terms

Vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided.

Vote against if the tenure of a non-executive director exceeds the period of 12 years.

#### 2. Bundling of Proposal to Elect Directors

Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually.

When presented with a bundled proposal, we will evaluate each individual items on its own merit and will not vote in support of a bundled resolution if we hold significant reservations about any individual item, even if there are supportable elements contained therein.

#### 3. Board Independence

##### Two-tier board

Independence of supervisory board members will be determined according to the Aegon Investment Management Classification of Directors.

Vote for if all supervisory board members, with the exception of not more than one person, shall be independent. If a nominee cannot be categorized, Aegon will consider that person non-independent and include that nominee in the calculation.

## **One tier board**

Vote for if the chairman of the board is not or has not been an executive director, and the majority of the members of the management board shall be non-executive directors and are independent.

### **4. Disclosure of Names of Nominees**

Vote against the election or reelection of any and all director nominees when the names of the nominees are not available or not provided in a timely manner.

### **5. Combined Chairman/CEO**

Generally, vote against (re)election of combined chair/CEO. However, when the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), with the intent of separating the roles within a given time frame, considerations should be given to these exceptional circumstances. In this respect, the vote recommendation would be made on a case-by-case basis.

In order for Aegon to consider a favorable vote for a combined chair/CEO to serve on an interim basis, the company would need to provide adequate control mechanisms on the board (such as a lead independent director, a high overall level of board independence, and a high level of independence on the board's key committees).

This policy will be applied to all companies that propose the (re)election of a combined chair/CEO to the board, including cases where the chair/CEO is included in an election by slate.

### **6. Election of a former executive as Chairman of the Board**

The chairman of the supervisory board may not be a former member of the management board of the company. One tier board: the chairman of the board may not also be, or have been, an executive director.

Generally vote against the election or reelection of a former executive as chairman to the supervisory board or board of directors.

Considerations should be given to the exceptional circumstance that the former executive is proposed to become the board's chairman only on an interim or temporary basis.

### **7. Overboarding**

Aegon will generally vote against a candidate when s/he holds an excessive number of board appointments, as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or the following guidelines:

- Executive directors are expected not to hold other executive or chairmanship positions. They may, however, hold up to two other non-executive directorships.
- Non-executive chairmen are expected not to hold executive positions elsewhere or more than one other chairmanship position. They may, however, hold up to three other non-executive directorships.
- Non-executive directors who do not hold executive or chairmanship positions may hold up to four other non-executive directorships.

An adverse vote will not be applied to a director within a company where he/she serves as CEO or chair; instead, any adverse vote will be applied to his/her additional seats on other company boards.

Aegon will take into account board positions held in global publicly listed companies.

A vote against will not be applied to a director within a company where he/she serves as CEO or chair; instead, any adverse vote will be applied to his/her additional seats on other company boards.



## 8. One Board Seat per Director

In cases where a director holds more than one board seat on a single board and the corresponding votes, manifested as one seat as a physical person plus an additional seat(s) as a representative of a legal entity, vote against the election/re-election of such legal entities and in favor of the physical person.

However, an exception is made if the representative of the legal entity holds the position of CEO. In such circumstances, Aegon will typically vote in favor of the legal entity and against the election/re-election of the physical person.

While such occurrences are rare, there have been cases where a board member may have multiple board seats and corresponding votes. Holding several board seats concurrently within one board increases this person's direct influence on board decisions and creates an inequality among board members.

### Composition of Committees

If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the supervisory board.

If the supervisory board decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.13, V.1.2, V.2.3 and V.3.1 shall apply to the entire supervisory board. In its report, the supervisory board shall report on how the duties of the committees have been carried out in the financial year. If a company does not have an audit or a remuneration committee, Aegon may consider that the entire board fulfills the role of a committee. In such case, Aegon may vote against the executives, including the CEO, up for election to the board.

Audit committee. Vote against if not all of the following conditions are met:

- The audit committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.
- A maximum of one member of the committee need not be independent within the meaning of best practice provision III.2.2.
- At least one member of the audit committee shall be a financial expert within the meaning of best practice provision III.3.2.
- For one tier board companies all members of the audit committee must be non-executives.

Remuneration committee. Vote against if not all of the following conditions are met:

- The remuneration committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company.
- A maximum of one member of committee need not be independent.
- No more than one member of the remuneration committee shall be a member of the management board of another Dutch listed company.
- For one tier board companies all members of the remuneration committee must be non-executives.

Vote against the (re)election of executives who serve on the company's audit or remuneration committee. Aegon may vote against if the disclosure is too poor to determine whether an executive serves or will serve on a committee.

## Aegon Investment Management Classification of Directors

### Executive Director

- Employee or executive of the company;
- Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

### Non-Independent Non-Executive Director (NED)

- Any director who is attested by the board to be a non-independent NED;
- Any director specifically designated as a representative of a significant shareholder of the company;
- Any director who is also an employee or executive of a significant shareholder of the company;
- Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material<sup>4</sup> connection with the dissident, either currently or historically;
- Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
- Government representative;
- Currently provides (or a relative<sup>1</sup> provides) professional services<sup>2</sup> to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year;
- Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test<sup>3</sup>);
- Any director who has conflicting or cross-directorships with executive directors or the chairman of the company;
- Relative<sup>1</sup> of a current or former executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee;
- Former executive (five-year cooling off period);
- Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence.<sup>4</sup> ;
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

### Independent NED

- Not classified as non-independent (see above)
- No material<sup>5</sup> connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

### Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

### Footnotes

- <sup>1</sup> "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.
- <sup>2</sup> Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.
- <sup>3</sup> A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated; or  
A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value (of all outstanding financing operations) compared to the company's total assets is more than 5 percent.
- <sup>4</sup> For example, the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS' European policy, Aegon will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.
- <sup>5</sup> For purposes of Aegon's director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

### **3.2 Contested Director Elections**

For contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, Aegon will vote on a case-by-case basis, determining which directors are considered best suited to add value for shareholders.

The analysis will generally be based on, but not limited to, the following major decision factors:

- Company performance relative to its peers;
- Strategy of the incumbents versus the dissidents;
- Independence of directors/nominees;
- Experience and skills of board candidates;
- Governance profile of the company;
- Evidence of management entrenchment;
- Responsiveness to shareholders;
- Whether a takeover offer has been rebuffed;
- Whether minority or majority representation is being sought.

When analyzing a contested election of directors, Aegon will generally focus on two central questions: (1) Have the proponents proved that board change is warranted? And if so, (2) Are the proponent board nominees likely to effect positive change (i.e., maximize long-term shareholder value).

### **3.3 Voting on Directors for Egregious Actions**

Under extraordinary circumstances, vote against or withhold from directors individually, on a committee, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to the director(s)' service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

### **3.4 Discharge of Directors**

Vote for the discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling concerns that the board is not fulfilling its fiduciary duties, warranted on a case-by-case basis, by:

- A lack of oversight or actions by board members which invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest;
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged action yet to be confirmed (and not only in the fiscal year in question) such as price fixing, insider trading, bribery, fraud, and other illegal actions;
- Other egregious governance issues where shareholders will bring legal action against the company or its directors.

Vote against proposals to remove approval of discharge of board and management from the agenda.

### **3.5 Director, Officer, and Auditor Indemnification and Liability Provisions**

Vote proposals seeking indemnification and liability protection for directors and officers on a case-by-case basis.

Vote against proposals to indemnify external auditors.

### **3.6 Board Structure**

Vote for routine proposals to fix board size.

Vote against the introduction of classified boards and/or mandatory retirement ages for directors.

Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.

## 4. CAPITAL STRUCTURE

### 4.1 Share Issuance Requests

#### General Issuances

Vote for issuance authorities with pre-emptive rights to a maximum of 100 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

Vote for issuance authorities without pre-emptive rights to a maximum of 10 percent under normal circumstances, plus another 10% in case of mergers and acquisitions, (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

### 4.2 Specific Issuances

Vote on a case-by-case basis on all requests, with or without preemptive rights.

### 4.3 Increases in Authorized Capital

Vote for non-specific proposals to increase authorized capital up to 100 percent over the current authorization unless the increase would leave the company with less than 30 percent of its new authorization outstanding.

Vote for specific proposals to increase authorized capital to any amount, unless:

- The specific purpose of the increase (such as a share-based acquisition or merger) does not meet the Aegon guidelines for the purpose being proposed; or
- The increase would leave the company with less than 30 percent of its new authorization outstanding after adjusting for all proposed issuances.

Vote against proposals to adopt unlimited capital authorizations.

### 4.4 Reduction of Capital

Vote for proposals to reduce capital for routine accounting purposes unless the terms are unfavorable to shareholders.

Vote proposals to reduce capital in connection with corporate restructuring on a case-by-case basis.

### 4.5 Capital Structures

Vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure.

Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.

#### **4.6 Preferred Stock**

Vote for the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.

Vote for the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets Aegon's guidelines on equity issuance requests.

Vote against the creation of a new class of preference shares that would carry superior voting rights to the common shares.

Vote against the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

Vote proposals to increase blank check preferred authorizations on a case-by-case basis.

#### **4.7 Debt Issuance Requests**

Vote non-convertible debt issuance requests on a case-by-case basis, with or without pre-emptive rights.

Vote for the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets Aegon's guidelines on equity issuance requests.

Vote for proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

#### **4.8 Pledging of Assets for Debt**

Vote proposals to approve the pledging of assets for debt on a case-by-case basis.

#### **4.9 Increase in Borrowing Powers**

Vote proposals to approve increases in a company's borrowing powers on a case-by-case basis.

#### **4.10 Share Repurchase Plans**

Aegon will generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:

- A repurchase limit of up to 10 percent of outstanding issued share capital;
- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and duration of no more than 18 months.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. Aegon may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 20 percent of a company's issued share capital in treasury ("on the shelf"); and duration of no more than 18 months.

Dutch companies are allowed to repurchase up to 50% of outstanding issued share capital. Nevertheless the maximum "on the shelf" thresholds of 10% (normal circumstances) or 20% (special circumstances) still apply, which means that previously repurchased shares must be cancelled. This cancellation must be a voting item on the agenda of the shareholders' meeting.

In addition, Aegon will recommend against any proposal where:

- The repurchase can be used for takeover defenses;
- There is clear evidence of abuse;
- There is no safeguard against selective buybacks;
- Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

**4.11 Cancellation of Repurchased Shares**

Vote for cancellation of repurchased shares when this is in shareholders' interest.

**4.12 Reissuance of Repurchased Shares**

Vote for requests to reissue any repurchased shares unless there is clear evidence of abuse of this authority in the past. Targeted stock placement as a takeover defense or as a tool to facilitate an acquisition is not allowed.

**4.13 Capitalization of reserves for Bonus Issues/Increase in Par Value.**

Vote for requests to capitalize reserves for bonus issues of shares or increase par value.

## 5. COMPENSATION

### 5.1 Management Board (executives)

#### Amount and composition of the remuneration

The amount and structure of the remuneration which the management board members receive from the company for their work shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.

The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage management board members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment. The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company.

The shares held by a management board member in the company on whose board he sits are long-term investments. The amount of compensation which a management board member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

A vote for is granted if the company meets all of the following Dutch Corporate Governance Code best practice provisions. If not, an assessment is made on a case-by-case basis.

- 2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.
- 2.2 If the company, notwithstanding best practice provision 2.1, grants unconditional options to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.
- 2.3 Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.
- 2.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which the option is granted.
- 2.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.
- 2.6 The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.
- 2.7 The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.
- 2.8 The company shall not grant its management board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans shall be granted.



## Determination and disclosure of remuneration

The report of the supervisory board shall include the principal points of the remuneration report of the supervisory board concerning the remuneration policy of the company, as drawn up by the remuneration committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the management board. The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general meeting of shareholders for adoption. Every material change in the remuneration policy shall also be submitted to the general meeting of shareholders for adoption. Schemes whereby management board members are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general meeting of shareholders for approval.

The supervisory board shall determine the remuneration of the individual members of the management board, on a proposal by the remuneration committee, within the scope of the remuneration policy adopted by the general meeting of shareholders.

A vote for is granted if the company meets all of the following Dutch Corporate Governance Code best practice provisions. If not, an assessment is made on a case-by-case basis.

II.2.9 The remuneration report of the supervisory board shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years.

II.2.10 The overview referred to in II.2.9 shall, in any event, contain the following information:

- a) a statement of the relative importance of the variable and non-variable remuneration components and an explanation of this ratio;
- b) an explanation of any absolute change in the non-variable remuneration component;
- c) if applicable, the composition of the group of companies (peer group) whose remuneration policy determines in part the level and composition of the remuneration of the management board members;
- d) a summary and explanation of the company's policy with regard to the term of the contracts with management board members, the applicable periods of notice and redundancy schemes and an explanation of the extent to which best practice provision II.2.7 is endorsed;
- e) a description of the performance criteria on which any right of the management board members to options, shares or other variable remuneration components is dependent;
- f) an explanation of the chosen performance criteria;
- g) a summary of the methods that will be applied in order to determine whether the performance criteria have been fulfilled and an explanation of the choice of these methods;
- h) if performance criteria are based on a comparison with external factors, a summary should be given of the factors that will be used to make the comparison; if one of the factors relates to the performance of one or more companies (peer group) or of an index, it should be stated which companies or which index has been chosen as the yardstick for comparison;
- i) a description and explanation of each proposed change to the conditions on which a management board member can acquire rights to options, shares or other variable remuneration components;
- j) if any right of a management board member to options, shares or other variable remuneration components is not performance-related, an explanation of why this is the case;
- k) current pension schemes and the related financing costs;
- l) agreed arrangements for the early retirement of management board members.

II.2.11 The main elements of the contract of a management board member with the company shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any redundancy scheme, pension arrangements and performance criteria.

II.2.12 If a management board member or former management board member is paid special remuneration during a given financial year, an explanation of this remuneration shall be included in the remuneration report. The remuneration report shall in any event account for and explain remuneration paid or promised in the year under review to a management board member by way of severance pay.

II.2.13 The remuneration report of the supervisory board shall, in any event, be posted on the company's website.

II.2.14 The company shall state in the notes to the annual accounts, in addition to the information to be included pursuant to article 2:383d of the Civil Code, the value of any options granted to the management board and the personnel and shall indicate how this value is determined.

## **5.2 Supervisory Board (non-executives)**

The general meeting of shareholders shall determine the remuneration of supervisory board members. The remuneration of a supervisory board member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual supervisory board members.

A vote for is granted if the company meets all of the following Dutch Corporate Governance Code best practice provisions. If not, an assessment is made on a case-by-case basis.

III.7.1 A supervisory board member shall not be granted any shares and/or rights to shares by way of remuneration.

III.7.2 Any shares held by a supervisory board member in the company on whose board he sits are long-term investments.

III.7.3 The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

III.7.4 The company shall not grant its supervisory board members any personal loans, guarantees or the like unless in the normal course of business and after approval of the supervisory board. No remission of loans shall be granted.

## 6. ENVIRONMENTAL AND SOCIAL ISSUES

### Voting on Social and Environmental Proposals

Issues covered under the policy include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short-term or long-term.

Aegon will vote on a case-by-case basis, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder value, and in addition the following will be considered:

- › If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- › If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- › Whether the proposal's request is unduly burdensome (scope, timeframe, or cost) or overly prescriptive;
- › The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- › If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- › If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

## 7. OTHER ITEMS

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### 7.1 Reorganizations/Restructurings

Vote reorganizations and restructurings on a case-by-case basis.

### 7.2 Mergers and Acquisitions

Vote case-by-case on mergers and acquisitions taking into account the following:

For every M&A analysis, Aegon reviews publicly available information as of the date of the report and evaluates the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- Valuation - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, Aegon places emphasis on the offer premium, market reaction, and strategic rationale.
- Market reaction - How has the market responded to the proposed deal? A negative market reaction will cause Aegon to scrutinize a deal more closely.
- Strategic rationale - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- Conflicts of interest - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? Aegon will consider whether any special interests may have influenced these directors and officers to support or recommend the merger.
- Governance - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Vote against if the companies do not provide sufficient information upon request to allow shareholders to make an informed voting decision.

Vote for debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

### 7.3 Proxy Fights

Vote proxy fights on a case-by-case basis.

### 7.4 Mandatory Takeover Bid Waivers

Vote proposals to waive mandatory takeover bid requirements on a case-by-case basis.

### 7.5 Reincorporation Proposals

Vote reincorporation proposals on a case-by-case basis.

### 7.6 Expansion of Business Activities

Vote for resolutions to expand business activities unless the new business takes the company into risky areas.

## 7.7 Related-Party Transactions

In evaluating resolutions that seek shareholder approval on related-party transactions (RPTs), vote on a case-by-case basis, considering factors including, but not limited to, the following:

- The parties on either side of the transaction;
- The nature of the asset to be transferred/service to be provided;
- The pricing of the transaction (and any associated professional valuation);
- The views of independent directors (where provided);
- The views of an independent financial adviser (where appointed);
- Whether any entities party to the transaction (including advisers) is conflicted; and
- The stated rationale for the transaction, including discussions of timing.

If there is a transaction that is deemed problematic and that was not put to a shareholder vote, Aegon may vote against the election of the director involved in the related-party transaction or the full board.

## 7.8 Antitakeover Mechanisms

Generally vote against all antitakeover proposals, unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

For the Netherlands, in general, Aegon will vote for protective preference shares (PPS) only if:

- The supervisory board needs to approve an issuance of shares and the supervisory board is independent within the meaning of the Dutch Corporate Governance Code (i.e. a maximum of one member can be non-independent);
- No call / put option agreement exists between the company and a foundation for the issuance of PPS;
- The issuance authority is for a maximum of 18 months;
- The board of the company-friendly foundation is fully independent;
- There are no priority shares or other egregious protective or entrenchment tools;
- The company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal;
- The foundation buying the PPS does not have as a statutory goal to block a takeover; and
- The PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period).

## 7.9 Shareholder Proposals

Vote all shareholder proposals on a case-by-case basis.

If it appears that a company already deals adequately with the request as mentioned in the shareholder resolution, or if we believe that the shareholder proposal is poorly drafted or the argumentation as used by the filers of the proposal is lacking, we may not support the proposal.

Vote for proposals that would improve the company's corporate governance or business profile at a reasonable cost.

Vote against proposals that limit the company's business activities or capabilities or result in significant costs being incurred with little or no benefit.

Proposals dealing with environmental and social themes are covered by their own dedicated policy, presented separately in this document.

## **7.10 Authority to Reduce Minimum Notice Period for Calling a Meeting**

A recommendation to approve the “enabling” authority proposal would be on the basis that AIM would generally expect companies to call EGMs/GMs using a notice period of less than 21 days only in limited circumstances where a shorter notice period will be to the advantage of shareholders as a whole, for example, to keep a period of uncertainty about the future of the company to a minimum. This is particularly true of capital raising proposals or other price sensitive transactions. By definition, AGMs, being regular meetings of the company, should not merit a notice period of less than 21 days.

In a market where local legislation permits an EGM/GM to be called at no less than 14-days' notice, AIM will generally vote in favor of a resolution to approve the enabling authority if the company discloses that the shorter notice period of between 20 and 14 days would not be used as a matter of routine for such meetings, but only when the flexibility is merited by the business of the meeting. Where the proposal(s) at a given EGM/GM is (are) not time-sensitive, such as the approval of incentive plans, AIM would not expect a company to invoke the shorter notice notwithstanding any prior approval of the enabling authority proposal by shareholders.

In evaluating an enabling authority proposal, AIM would first require that the company make a clear disclosure of its compliance with any hurdle conditions for the authority imposed by applicable law, such as the provision of an electronic voting facility for shareholders. In addition, with the exception of the first AGM at which approval of the enabling authority is sought following implementation of the European Shareholder Rights Directive, when evaluating an enabling authority proposal AIM will take into consideration the company's use (if any) of shorter notice periods in the preceding year to ensure that such shorter notice periods were invoked solely in connection with genuinely time-sensitive matters. Where the company has not limited its use of the shorter notice periods to such time sensitive-matters and fails to provide a clear explanation for this, AIM will consider a vote against the enabling authority for the coming year.