Aegon Global Compliance Charter
Information sheet

Target audience: All employees and management of Aegon companies

Issued by: Aegon N.V. Group Risk

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1. Introduction

This document represents Aegon’s Global Compliance Charter. The Global Compliance Charter intends to strengthen the effectiveness of compliance within the Aegon group of companies ¹.

- The Global Compliance Charter describes the governance, roles and responsibilities, and operation of compliance management at Aegon group-wide. It defines the scope of the Compliance Function. The charter also sets forth the basic requirements of compliance management for Aegon’s businesses group-wide. The methodology of compliance risk management is described separately in Appendix A.

- The Executive Board and Management Board of Aegon N.V. approved and adopted this Global Compliance Charter on April 13, 2010. It replaces the Aegon N.V. Group Compliance Guidelines dated November 21, 2005. The Charter will be reviewed at least every two years and may be amended at any time with the approval of the Executive Board. It is available on the global Aegon intranet.

- Effective compliance management is vital for Aegon’s sustainable profitable growth. It is a very important contributor to the protection of Aegon’s integrity and reputation. It helps build trust. The Global Compliance Charter supports Aegon in achieving its mission and strategic objectives.

- All capitalized terms used in this Charter have the meaning attributed to them in the glossary, which is attached as Appendix B.

¹ Aegon group of companies, also referred to as ‘Aegon’ has the meaning set forth in Appendix B.
2. Mission and objective of the Compliance Function

2.1 Mission

Being a global leader in helping customers to secure their financial future resulting in sustainable, profitable growth is key within Aegon. The mission of Aegon’s Compliance Function is to:

a. Support Aegon and its management in achieving this principle by compliance management practices which contribute to sound and responsible business practices and integrity of the products and services delivered; and
b. Support the business with incorporating this principle in the day-to-day operations of Aegon businesses worldwide.

By pursuing this mission, the Compliance Function subscribes to the Aegon core values Working Together, Bringing Clarity and Exceeding Expectations.

2.2 Objective

Within its mission it is the purpose of the Compliance Function to support Aegon and its management with:

1. Embedding compliance with laws, regulations, business principles, rules of conduct, customer agreements and established good business practices in every aspect of the organization (e.g. governance, strategy, people, processes, policies, culture, communication);
2. Establishing and maintaining effective compliance risk management and control systems, including monitoring and reporting;
3. Providing timely advice to the Aegon organization on relevant changes in the compliance environment;
4. Promoting integrity of Aegon, its businesses and its employees.

The methodology included in Appendix A to this Charter describes the manner in which the mission and objectives of the Compliance Function should be implemented.

3. Compliance Risk Management

3.1 Compliance Risk

‘Compliance risk’ at Aegon is defined as: The risk of impairment to the organization’s business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies. This includes the risk of failure to comply with established good business practices and failing to balance the expectations of key stakeholders such as customers, employees and society as a whole.
3.2 Compliance Risk Appetite
Aegon aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations and established good business practices. Aegon will ensure that this requirement is embedded in the culture of its business operations.

3.3 Tolerance
Where the application of a rule or guidance is open to interpretation, Aegon may make a judgement if it can evidence a reasonable argument for its actions and the interpretation does not result in Aegon taking any unacceptable risks.

In judging the application of a rule or guidance that is open for interpretation, Aegon considers the following to be unacceptable:

- Customer financial loss or loss of rights due to non-compliance with applicable regulatory requirements;
- Implementation of any product, service, process or system that is likely to result in enforcement action by the regulator;
- Implementation of any product, service, process or system that, if the regulator were aware, would lead to a guidance for the company to undertake corrective and/or remedial action;
- Implementation of any product, service, process or system that is likely to result in loss of customer or intermediary confidence in the Company’s ability to conduct business compliantly;
- Business practices that do not display integrity and may damage Aegon’s reputation.

3.4 Role of the Compliance Function:
The Compliance Function:

- Advises the Management Board and Supervisory Board (Group Compliance Function) and Local Management Board (Local Compliance Function) on the assessment and definition of the Compliance Risk Appetite and the risk tolerance levels;
- Advises the Management Board and Local Management Board on the acceptance of specific risk event based upon impact analysis;
- Supports the Management Board (Group Compliance Function) and Local Management Board (Local Compliance Function) to raise awareness of Compliance Risk Appetite and established good business practices;
- Supports Business Management by identifying, assessing and overseeing the mitigation of Compliance Risks;
- Reports on compliance matters that warrant the attention of the Local Management Board. Such reports must include as a minimum exceeded compliance risk tolerance levels and unacceptable business practices.

The role and scope of the Compliance Function is described in more detail in the following sections of this Charter.
4. Compliance governance

Compliance governance defines how compliance is organized on a global and local/business unit level.

4.1 Governance within the entire Aegon organization

4.1.1 Responsibilities of business management

The Local Management Board is responsible for the development and establishment of an effective compliance organization and Local Compliance Function. The responsibilities of the Local Management Board include:

- Setting good examples, e.g., by knowing and applying the rules and monitoring the compliance with these rules within the organization;
- Understanding compliance risk, embedding and maintaining compliant business processes and controls in the daily operations of the business;
- Ensuring that an effective Local Compliance Function is established and managed;
- Ensuring that an executive member shall have specific oversight for compliance;
- Ensuring that adequate resources are allocated to the Local Compliance Function commensurate with the level and complexity of the operations, and shall see to it that:
  a. The Local Compliance Functions throughout the Country/Operational Unit are adequately equipped to perform the role, taking into account sufficient qualified personnel, having the necessary competences and authorities;
  b. The Compliance Officer(s) responsible for designated issues or the Compliance Function in the relevant subsidiary, branch, representative office or business line, shall under all circumstances have direct access to senior management and all relevant information;
  c. The Local Heads of Compliance shall under all circumstances have direct access to the executive member of the Local Management Board who has oversight responsibility for compliance and to independent/non-executive directors where they exist.
4.1.2 Role of the Local Compliance Function

Supervision and oversight
The Local Compliance Function is, on behalf of the Local Management Board, responsible for the supervision and oversight of the local Aegon organization acting in a compliant manner and proactively advising the Local Management Board. In this context Aegon expects Local Compliance Functions to proactively support Business Management by highlighting compliance responsibilities and supporting Business Management in the design and implementation of appropriate controls.

Compliance plan
The Local Compliance Function maintains oversight of and monitors compliance for the Country/Operational Unit in accordance with this Charter and is responsible for drafting an annual Compliance Plan. The Plan provides a strategic view of compliance in the year ahead and highlights the key tasks which will be undertaken by the Local Compliance Function.

Reporting
The Local Compliance Function informs the Local Management Board and the Group Compliance Function about relevant compliance subjects, such as:
- Significant developments and/or changes in rules, regulations and established good business practices;
- Significant internal developments from a compliance perspective which may impact the business or a specific business line; and
- Overall results of the compliance risk management process and compliance monitoring activities within the business.

Education of the business
The Local Compliance Function supports the Local Management Board by providing appropriate resource or expertise to educate business staff of their compliance accountabilities and responsibilities.

Adequately educated staff
The Local Compliance Function ensures that its own staff are adequately educated and supported in maintaining an up-to-date knowledge of compliance requirements.

Appropriate written policies
The Local Compliance Function ensures that it has appropriate written policies and procedures to govern its operations. In providing oversight of the business operations the Local Compliance Function ensures that written business procedures exist and provides sufficient detail to demonstrate how business operations seek to mitigate compliance risks.
Proactive and effective communication with all stakeholders
The Local Compliance Function ensures that it communicates proactively and effectively with its stakeholders. In this context stakeholders includes Aegon senior managers, local business managers, regulators and the Group Compliance Function. Local Compliance Functions shall put in place mechanisms to ensure that its voice is heard by internal stakeholders. These mechanisms shall not be limited to formal minutes of meetings and shall include meetings with individual decision makers.

Management information
The Local Compliance Function defines the information that it needs to perform effective oversight and pro-actively collects such information. This information shall not be confined to formal written management information packs prepared specifically for the Local Compliance Function. Use shall be made of other management information which the function believes would be helpful. This can include verbal as well as written communications.

Compliance risk management
The Local Compliance Function carries out regular monitoring of the business to ensure that compliance risks are being appropriately mitigated. In discharging this requirement Local Compliance Functions must firstly establish a clear understanding of the compliance risks faced by their business. Reference is made to the Compliance Risk Management Methodology attached in the Appendix A to this document.

Breaches and issues identified through compliance monitoring shall be managed proactively and effectively. It is not the role of the Local Compliance Function to own the remediation work. However, the Local Compliance Function shall oversee the remediation work and ensure that desired outcomes are achieved. Where progress in remediating breaches and issues is slower than expected the Local Compliance Function shall escalate the matter.
4.1.3 Role of the Executive Board and Management Board

The Executive Board is responsible for compliance by the Group with all relevant laws and regulations. The Management Board is entrusted with the responsibility to oversee the implementation and effectiveness of compliance management within Aegon. This includes, but is not limited to:

- Setting good examples, e.g., by knowing and applying the rules and monitoring the compliance with these rules within the organization;
- Discussing at least annually the Compliance Risk Tolerance and risk profile of Aegon with the Supervisory Board and submitting any changes therein for the approval of the Supervisory Board;
- Safeguarding that the Compliance Function has adequate resources and is independent and it proactively seeks to enhance the authority of the Compliance Function; and
- Reporting on Compliance Risk Management to Supervisory Board and Risk/Audit Committee. This responsibility is delegated to the Group Compliance Function.

4.1.4 Role of the Group Compliance Function

The Group Compliance Function supports the Executive Board and Management Board by informing them about relevant compliance subjects, such as:

- Significant developments and/or changes in laws, regulations and established good business practices;
- Significant internal developments from a compliance perspective which may have impact on the risk profile of the Aegon organization group-wide;
- Overall results of the compliance risk management process and compliance monitoring activities; and
- Significant developments and/or changes in the organization of the Compliance Function.

The Group Compliance Function is, on behalf of the Management Board, responsible for ensuring that the entire Aegon organization operates within a clearly defined global compliance framework. The Group Compliance Function proactively advises the Management Board on acting in a compliant manner, both from a strategic and an operational perspective.
4.1.5 Role of the Supervisory Board

The responsibilities of the Supervisory Board with respect to Compliance Risk Management consist of the supervision of the Executive Board, including:

♦ Oversight of the structure of the internal compliance risk management and control systems; and
♦ Compliance with legislation and regulations.

4.1.6 Role of the Group Compliance Function

The Group Compliance Function supports the Supervisory Board by:

♦ Providing adequate information about Compliance risks, Compliance Risk Management and other Compliance related subjects, with respect to the Aegon organization worldwide; and
♦ Supporting the Supervisory Board in the exercise of their aforementioned Compliance Risk Management duties.

4.1.7 Summary of responsibilities

The table on the next page summarizes the responsibilities set forth in section 4.1.1 to 4.1.6 of this Charter.
<table>
<thead>
<tr>
<th>Activity</th>
<th>SB</th>
<th>EB</th>
<th>Group compliance function</th>
<th>Local business management</th>
<th>Local compliance function</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global</strong></td>
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<tr>
<td>Establishing a Compliance Function and ensuring its effectiveness on a</td>
<td>I</td>
<td>A</td>
<td>R</td>
<td>C</td>
<td>C</td>
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<tr>
<td>global level</td>
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<tr>
<td>Facilitating and executing (as appropriate) CRM cycle on a global level</td>
<td>I</td>
<td>R</td>
<td>A/R</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Supervision and oversight on effectiveness of Compliance organization on</td>
<td>A</td>
<td>R</td>
<td>R/C</td>
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<td>a global level</td>
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<tr>
<td><strong>Local</strong></td>
<td></td>
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<tr>
<td>Establishing Local Compliance Function and ensuring its effectiveness</td>
<td>I</td>
<td>I</td>
<td>C</td>
<td>A</td>
<td>R</td>
</tr>
<tr>
<td>Facilitating and executing (as appropriate) CRM cycle on local level</td>
<td>I</td>
<td>I</td>
<td>C</td>
<td>R</td>
<td>A/R</td>
</tr>
<tr>
<td>Supervision and oversight on effectiveness of Local Compliance</td>
<td>I</td>
<td>I</td>
<td>C</td>
<td>A</td>
<td>R</td>
</tr>
</tbody>
</table>

Responsible: The person who actually conducts an activity.
Accountable: Ultimate ownership: the person who carries the risk if it all goes wrong.
Consulted: A person who must be consulted before decision/action is taken.
Informed: A person who must be informed after decision/action is taken.

4.2 Governance within the Compliance Function

The Compliance Function consists of the Global Head of Group Compliance Officers, the Heads of Compliance of Country/Operational Units and all Compliance Officers and other staff reporting to them. The Head of Compliance & Operational Risk Management has an escalation reporting line to the Supervisory Board (Audit/Risk Committee) and meets with the Supervisory Board for consultation purposes on a semi-annual basis. The Head of Compliance & Operational Risk Management reports to the Chairman of the Supervisory Board in compliance matters related to (members of) the Executive Board and Management Board.
The Global Head of Compliance should be timely consulted before a decision and/or action being taken about:

- The Compliance Program and the annual Compliance Plan and/or any significant change thereto,
- Disputes between the local Compliance Function and the Local Management Board;
- Key investigations by the regulators;
- Significant compliance issues, events and regulatory developments in accordance with Appendix A, item F;
- Number and level of resources assigned to the Compliance Function or changes thereto;
- The remuneration of the Local Compliance Function;
- The appointment and terminations of Local Heads of Compliance.

The Head of Compliance & Operational Risk Management has a ‘veto right’ in relation to the appointment and terminations of Local Heads of Compliance. In relation to Aegon Americas the consultation responsibility for the remuneration of the Local Compliance Function and appointments and terminations of the Local Heads of Compliance lies with the Aegon Group General Counsel, who will involve the Head of Compliance & Operational Risk Management as appropriate.

Group Compliance Officers and the Heads of the Local Compliance Functions are entitled to investigate compliance with this Charter by performing Compliance monitoring activities.
### 4.2.1 Independence of the Compliance Function

The Compliance Functions shall be independent from the business, this is established using the following principles:

1. The Compliance Function has a formal status, which is stated and communicated through this Charter;
2. Compliance Officers within the Country/Operational Unit report to the Country/Operational Unit management and to the Local Head of Compliance. The Local Head of Compliance is overall responsible for co-ordinating the management of the Country/Operational Unit’s compliance risk. The Local Head of Compliance has a functional reporting line to the Group Compliance Function in accordance with the responsibility matrix and consultation process set forth in respectively sections 4.1.7. and 4.2 of this Charter;
3. A Compliance Officer, in particular the Local Head of Compliance, is not placed in a position where possible conflict of interest may occur between compliance responsibilities and any other responsibilities. However, if permitted by local law, a Compliance Function may be combined with for example the legal function or the local general counsel function, as long as a clear difference has been made between the various roles if ‘conflict of interest’ situations were to arise.
4. The Compliance Function staff are entitled to have access to the information and personnel necessary to carry out their responsibilities.

### 4.2.2 Responsibilities on reporting for the Compliance Function

- Local Heads of Compliance report to the next higher level within the Compliance Function and to the responsible business manager. On a Local Management Board level this is the executive dedicated to Compliance and the Head of Compliance & Operational Risk Management as described in the Methodology (Appendix A) and the Aegon Group Compliance Quarterly Reporting Requirements (Appendix C);
- Immediate reporting regarding significant incidents are sent to both the next higher level within the Compliance Function and simultaneously to the responsible business manager. If required by external rules or supervisors they also report the incidents to the external supervisor;
- Group Compliance Officers report each quarter to the Executive Board on the topics mentioned above (incidents, information about compliance risks) and meets with the Supervisory Board or the Audit/Risk Committee at least twice a year;
- Group Compliance Officers have a hierarchical reporting line to the Group Chief Risk Officer.
4.2.3 Essential factors of the governance structure

To effectively implement the objectives and mission of the Aegon Compliance Function, the Local Compliance Functions are required to integrate eight key factors in their compliance governance structure. However, the detail of how a Local Compliance Function implements each section can be adjusted to suit local cultural and regulatory requirements.

The eight essential factors are:
1. Oversight on Local Management Board level;
2. Operational accountability;
3. Staff knowledge and understanding;
4. Documented policy and practice;
5. Communication both up and downstream;
6. Regular monitoring and reporting;
7. Documented and monitored action plans;
8. Independent verification.

5. Scope of the Compliance Function

Compliance Functions are responsible for oversight and monitoring of Compliance Risk Management and control systems. The Compliance Function supports senior management in managing the compliance risks and embedding compliance in the culture of the company.

The table on page 16 defines the scope of the Compliance Function. The classification of compliance risk categories is based on the four main stakeholder categories: market, employees, company and customers.
Inside the scope of the Compliance Function | Brief description
---|---
**Market conduct related integrity risk** | This includes risks in relation to potential non-compliance with regulatory requirements of (local) regulators, but also with any other relevant laws and regulations, internal company rules and policies, and relevant principles and values.
**Employee conduct related integrity risk** | This includes risks in relation to potential non-compliance with:
- Insider dealing rules;
- Code of Conduct and underlying procedures (e.g., expense policies, gifts and entertainment policies)
- Whistle blower procedure (Global Ethics Line).
**Company related integrity risks** | This includes risks in relation to non-compliance with:
- Organizational conflicts of interest rules, market abuse rules and insider trading rules
- Anti-trust and competition law
  As well as:
  - Intermediary risks (e.g., money laundering, fraud ³).
  - Business partner risks (e.g., money laundering, fraud ⁴).
  - Non-licensed business activities risks.
  - Risks in relation to relationship with regulators.
**Customer conduct related integrity risk** | This includes risks in relation to potential non-compliance with:
- Money laundering laws, anti-fraud regulations ⁵
- Regulations in relation to politically and reputationally exposed persons
- Regulations in relation to export control regulations/transactions through sanctioned countries

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³ Requirements regarding fraud risk controls are defined jointly by the Group Risk function and the Group Compliance Function, with the Risk function primarily focusing on (operational) process controls and the Compliance Function on conduct-related controls such as culture and integrity aspects.
⁴ See note 3.
⁵ See note 3.
Outside scope of the Compliance Functions

<table>
<thead>
<tr>
<th>Risk type</th>
<th>Responsible function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital management</td>
<td>Treasury</td>
</tr>
<tr>
<td>Employment practices&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Accounting practices</td>
<td>Finance</td>
</tr>
<tr>
<td>SOX controls</td>
<td>Risk</td>
</tr>
<tr>
<td>Tax management</td>
<td>Tax</td>
</tr>
<tr>
<td>Operational (including IT and disruption, and security risk)</td>
<td>Risk</td>
</tr>
<tr>
<td>Financial risk (investment, underwriting mismatch)</td>
<td>Risk</td>
</tr>
<tr>
<td>Actuarial compliance</td>
<td>Actuary</td>
</tr>
</tbody>
</table>

In some countries the local regulators may require closer oversight of the out-of-scope obligations set out in the table above. Local Compliance Functions will need to work closely with the risk management functions on these occasions in order to address the needs of the local regulator.

6. Closing remarks

This Charter, including its Appendices, sets forth the standards for Compliance within Aegon. Material deviations to this Charter and its Appendices, need to have prior approval of the Management Board and will be reported to the Supervisory Board.

<sup>6</sup> The employment risks overseen by HR (e.g. compliance with obligations on health and safety) are outside the scope of the Compliance Function.
Appendix A

Compliance Methodology

The Compliance Methodology is applicable for the entire Aegon organization. This methodology provides the minimum requirements for 1. the (Local) Compliance Program, 2. Compliance Risk Management, i.e. compliance risk governance, -identification, -assessment, -mitigation, -monitoring and -reporting and 3. communication, education and training.

1. Compliance Program

All Country/Operational units must have their own Compliance Program. These Programs shall be based on and aligned with this Charter. The Local Head of Compliance is responsible for the establishment, implementation and enforcement of the Program. The Program shall give an overall description of the Country/Operational Unit’s compliance organization, and the conditions necessary to effectively manage the organization’s compliance risks. The Compliance Program will cover all Country/Operational Unit’s activities. The Compliance Program shall be reviewed by the Local Management Board, whereas Group Compliance Officers shall be enabled by the Local Head of Compliance to review the Compliance Program on an overall basis.

The Local Compliance Program shall at least provide a description – specific to the Country/Operational unit and aligned with this Charter of the following:

1. Country/Operational Unit’s compliance organization;
2. Compliance Manual(s) or other relevant written documentation;
3. Reporting structure;
and it will contain an Annual planning program, including the elements of the Compliance Risk Management Cycle, Communication, Education and Training, Compliance audits and Methods of recording and handling of complaints.

2. Compliance Risk Management Cycle

The Compliance Risk Management cycle (‘CRM cycle’) enables Aegon to reach its entity wide compliance objectives using the approach of Compliance Risk Management. The CRM cycle describes the minimum standard for compliance risk assessment, jointly used by Business Management, Compliance Risk Management and Legal functions throughout Aegon. Compliance Risk Assessments shall identify, quantify and prioritize significant compliance risks and the financial and non-financial impact against criteria for risk appetite and objectives relevant to the organization. The results determine the appropriate management action and priorities for managing unacceptable compliance risks and the level of control necessary to protect against these risks. The approach and methodologies for Compliance Risk Management will be aligned with those of Operational Risk Management. The sections below set out what Aegon requires from the Compliance Function.
A. Compliance Governance
For the purpose and impact of Compliance Governance in the CRM cycle, please refer to section 4 of the Charter, Compliance governance.

B. Compliance Universe
Definition
Compliance Universe is the complete set of compliance risks applicable to a specific area, e.g., the entire Aegon organization, a business or country unit or a (business) process within the Aegon organization. It outlines how compliance with laws, regulations and rules is embedded and ensured in (business) processes and links ownership of compliance risks and risk mitigating actions to (business) process owners.
The Compliance Universe must contain the following:

- Reference to the key compliance-related laws, regulations and Aegon rules and standards within the scope of the Compliance Function;
- Reference to the (business) processes to which the compliance obligations are linked;
- Clear ownership of the processes, activities and obligations outlined in the Universe.

**Roles and responsibilities**

**Compliance Function:**
- Translate laws, regulations rules and regulatory expectations within the scope of the Compliance Function into compliance obligations;
- Enter compliance obligations in the Universe: link obligations to business processes and process owners;

**Business Management**
- Ensure ownership of Compliance obligations and related Compliance Universe within the business;
- Define roles and responsibilities within the business to maintain the Universe;
- Define roles and responsibilities within the business to manage compliance risks.

**C. Compliance Risk Identification and Assessment**

**Definition**

Compliance Risk Identification and Assessment is the process of identifying compliance risks and assessing the impact and likelihood of the identified risk to prioritise action taking on unaccepted risks.

It is necessary that Business Management and the Compliance Function have continuous awareness of the current and emerging significant threats and compliance risks and, when identified, immediately assess such threats and risks.

**Methodology**

The methodology and approach for Compliance Risk Identification and Assessment is in line with the methodology and approach conducted by the Operational Risk Management function of Aegon, where appropriate.
Roles and responsibilities

Compliance Function:
- Advise, support and challenge Business Management on the identification and assessment of compliance risks:
  - Initiate and participate in all compliance risk assessments; and
  - Rate and rank, in cooperation with Business Management, the compliance risks.
- Partner with Legal to identify relevant compliance risk-related laws, regulations, rules and established good business practices;
- Ensure reports from risk assessment include required information on compliance risks;
- Escalate disagreement with results of the compliance risk assessment, approved by Business Management; and
- Report resulting risk assessments to Local Management Board and Group Compliance Officers.

Business Management
- Ensure the execution and prioritisation of compliance risk assessments:
  - Participate in all risk assessments;
  - Work with the Compliance Function to assess compliance risks;
  - Work with the Compliance Function to prioritise compliance risks; and
  - Approve the outcome of compliance risk assessments.
- Involve (on a timely basis) and seek advice from the Compliance Function in matters that give cause to significant or fundamental compliance risks for Aegon.

D. Compliance Risk Mitigation

Definition
Compliance Risk Mitigation is the process of responding to unacceptable compliance risks to bring them to an acceptable level. For compliance risks that exceed the respective tolerance level, risk mitigation strategies need to be defined. Responding to risks can be achieved through a combination of mitigation strategies:
- Risk reduction;
- Risk avoidance;
- Risk transfer; and
- Risk response.

The defined mitigation strategies should mitigate the impact and/or likelihood of the identified compliance risks. Compliance Risk Mitigation focuses on risk reduction by developing and implementing controls such as standards, policies, procedures and guidelines to prevent or reduce compliance risks.

8 With prioritisation we mean focus on the higher risk areas in terms of frequency of assessment.
Methodology

The methodology and approach for Compliance Risk Mitigation are in line with the methodology and approach conducted by the Operational Risk Management function of Aegon, where appropriate.

Roles and responsibilities

Compliance Function:

- Challenge Business Management on the acceptance of compliance risks;
- Advise, support and challenge Business Management on the mitigation of compliance risks;
- Advise, support and challenge Business Management on the design and implementation of controls used to mitigate compliance risks;
- Raise issues to Business Management that may have an impact on the suitability of mitigation activities; and
- Report risk mitigating actions including effect on the compliance risk profile to Local Management Board and Group Compliance Officers.

Business Management

- Ensure ownership and operational accountability for compliance risks;
  - Establish and implement specific, appropriate activities to mitigate compliance risks in business processes; and
  - Ensure that business meets its obligations and embeds activities to mitigate compliance risk in business activities.
- Work with the Compliance Function to ensure that framework components, policies and procedures and other risk reducing instruments are presented in a way that employees at all levels can access and understand;
- Take the measures necessary to ensure that employee behaviour is compliant with the Code of Conduct; and
- Include in all job descriptions and conditions of employment that the employee is responsible and will be held accountable for meeting his/her compliance obligations.

E. Compliance Risk Monitoring, action tracking and incident management

Definition

Compliance Risk Monitoring is the continuous process of examining whether sufficient compliance risk controls are designed and working effectively with the overall goal of being compliant with:

- Relevant laws and regulations;
- Internal company rules and policies, such as the Code of Conduct;
- Relevant good business practices which may impact the integrity and reputation of the company.

Compliance Risk Monitoring makes it possible for the business to test if its risk mitigation activities are working properly and to identify new and/or changed compliance risks.
Action tracking is the monitoring of the progress of remedial actions, resulting from compliance risk mitigation activities. Action tracking ensures the proper execution of measures of remediation and mitigation.

Incident Management is the process of identification, handling and reporting of significant events defined as compliance incidents. Incidents are defined as occurrences (i) which could potentially have an impact on Aegon’s reputation, and/or (ii) which are expected to have news value and/or (iii) about which the Local Head of Compliance will report to the Local Management Board.

Methodology
The methodology and approach for Compliance Risk Mitigation is in line with the methodology and approach conducted by the Operational Risk Management function of Aegon, where appropriate.

Roles and responsibilities

Compliance Function:
- Monitor progress of compliance risk mitigating actions and other compliance risk management issues until they are resolved;
- Work with the business to document an annual monitoring plan;
- Advise, support Business Management on monitoring of compliance risks by the business themselves;
- Report deficiencies to Business Management as well as Group Compliance Officers (where significant);
- Create a process including tools for tracking and managing actions;
- Create a process including tools for the recording, reporting and managing of incidents;
- Incorporate lessons learned into the components and activities of the Compliance Program and annual plan; and
- Ensure resolution of, or escalate to Business Management, Local Management Board and Group Compliance Officers unaddressed or overdue items.

Business Management
- Establish and execute monitoring activities by the business;
- Assign roles and responsibilities and accountability to monitor risk mitigating controls;
- Work with the Compliance Functions to ensure appropriate evaluation of the monitoring activities by the business;
- Address issues that arise out of monitoring activities;
- Assign roles and responsibilities and accountability in the business for remediation of issues and incidents;
- Define and formalize deadlines and milestones for remediation;
- Assure adequate resources for monitoring by the business and remediation;
- Resolve issues in a sustainable manner within agreed deadlines;
- Provide the Compliance Function with status updates on open compliance-related items until the issues are resolved;
- Develop and maintain an environment in which employees are encouraged to report compliance incidents; and
- Ensure that any suspected compliance incident is reported to the Compliance Function.
F. Reporting

Definition

Compliance Reporting is the process of timely accurate and complete reporting on Compliance Risk Management to all required stakeholders at the appropriate level. Local Head of Compliance provides reports to the Local Management Board and Group Compliance Officers. The Head of Compliance & Operational Risk Management provides quarterly reports to the Executive Board and semiannually to the Supervisory Board.

Compliance Reporting allows Business Management and the Compliance Function to assess whether Compliance Risks exceed risk appetite. Reporting allows for communication and discussion of Compliance risks and provides the platform to learn lessons within the Aegon organization.

Methodology

Compliance reporting is categorised based on frequency of reporting:

1. Annual reporting;
2. Quarterly reporting; and
3. Incidental reporting.

Annual reporting

The Local Head of Compliance shall annually:

1. Provide confirmation to Group Compliance Officers that the respective Country/Operational Unit:
   • Has organized its collective Compliance Functions as such that all activities, including those of any national and international subsidiaries, branches and representative offices are covered (such as by means of a resources plan);
   • Monitors and audits compliance with the local standards and procedures as well as the Aegon Standards;
   • Updates local standards and procedures pursuant to changes in any laws, regulations and Aegon Standards;
   • Communicates local standards and procedures/Aegon Standards and makes these available to (senior) management and employees, as well as agents and distributors, where appropriate;
   • Provides and monitors continuing education and training programs for (senior) management and employees, as well as agents and distributors, where appropriate; and
   • Takes corrective actions in respect of compliance issues, where appropriate.
2. Provide Group Compliance Officers with information regarding the Compliance Program (status of implementation, any modifications);
3. Provide Group Compliance Officers with information about the general developments in the Country/Operational Unit, development in the area of compliance and the (potential) impact of these issues on the Country/Operational Unit in particular and Aegon in general; and
4. Provide Group Compliance Officers with an annual Compliance Plan.
Quarterly reporting
Quarterly Compliance Risk Reports contain at least materially relevant:
• Risk Assessment results;
• Risk Mitigating Actions including plans and effects for the compliance risk profile;
• Compliance incidents and loss events including the estimated financial loss experience;
• Findings retrieved from monitoring activities;
• Regulatory developments and trends; and
• Compliance-related training activities.

Incidental reporting
The Local Head of Compliance reports significant incidents to the Local Management Board and Group Compliance Officers. The Head of Compliance & Operational Risk Management reports incidents on a real time basis to the Executive Board.

The methodology and approach including tools for Compliance (Risk) Reporting is in line with the methodology and approach conducted by the Operational Risk Management function of Aegon, where appropriate.

Roles and responsibilities
Compliance Function:
• Provides comprehensive and actionable overview of key risks and follow-up status at business line and group level. The Local Head of Compliance to the Local Management Board and Group Compliance Officers;
  - Reports whether compliance risks exceed the risk appetite of Aegon or at country/regional level;
  - Reports on the status of compliance risk mitigating and remedial actions;
  - Reports on compliance loss events and incidents;
  - Reports on material findings retrieved from monitoring activities; and
  - Reports on emerging trends and lessons learned;
• Helps the business learn from incidents and implements controls to prevent future occurrences;
• Keeps accurate records of material compliance breaches.

Business Management
• Ensure accurate, complete and timely information in compliance-related reports and address any issues that arise from reporting; and
• Partner with the Compliance Function to develop lessons learned to help the business avoid future incidents.
3. Communication, education and training

Compliance risk arises in all business units. The first step entails making all employees conscious of compliance risk and raising awareness of the Code of Conduct.

3.1 Communication

A communications strategy and a communications plan will be developed at both the group level and the country unit/regional level. It is important that the plans at the group level and country unit/regional level connect with each other. The communications strategy determines which forms of communications will be used (internet, business meetings, e-mail/letters, informal meetings, etc.), who will perform the communication (senior management, Executive Board, experts, etc.) and which target groups (all employees, line management, specific employees or officers, etc.) must be reached for themes within the field of compliance and compliance risk management. Each year preceding the next (budget) year, a communications plan will be agreed that sets out both the communications and support that will be provided in relation to the compliance (risk management) framework, policies and standards. The plan will be reviewed more frequently where appropriate and amended if required.

3.2 Education and training

A strong compliance risk management training and education program reinforces Aegon’s compliance culture. It builds awareness and understanding of compliance risk management standards, processes, guidelines and issues.

3.2.1 Training the business

The goal of the communication, training and education focusing on the business is to make the organization aware of compliance risks, to create an open compliance culture and to increase the knowledge of laws and regulations, standards, procedures, guidelines and compliance-related issues. The maintenance of the compliance awareness and professional skills of business staff with respect to compliance should be maintained through regular and systematic education and training.
The Compliance Function is responsible for developing and maintaining a yearly compliance training and education plan including the following requirements:

- Within the training plan target groups should be defined (defining risk sensitive and complex job functions);
- Training material should include compliance awareness and the compliance point of view regarding Aegon’s mission, strategy, services, customers and processes. Furthermore it should cover the relevant compliance laws, regulations and standards;
- Documented information on training structure, timelines, attendance (and pass-marks) etc. should be available.
- The current training should be reviewed on an annual basis and updated with changes (new laws, regulations etc.).

### 3.2.2 Training the Compliance Function

The Compliance Function shall assist the senior management in educating staff on compliance issues, and acting as a contact point within Aegon for compliance queries from staff members. To be able to do so the Compliance Function staff needs to have a robust training programme. The goal of the training focusing on the Compliance Function staff is to maintain the competence of the compliance employees so they will be able to execute their work effectively. The professional skills of Compliance Function staff especially with respect to keeping up-to-date with developments in compliance laws and to maintain the soft skills should be maintained through regular and systematic education and training.

The generic training material shall cover all the relevant topics applicable for all Compliance Function staff and cover the following subjects: laws and regulations, financial markets, Aegon’s mission, strategy, services, customers and processes and risk management techniques. The soft skill training preferable should be customized to the specific individual needs of the compliance officer.

The training material should be reviewed on an annual basis and updated with changes (new laws, regulations etc.). Documented information on training structure, timelines, attendance (and pass-marks) etc. should be available.

An annual plan for compliance-related training and education must be developed and updated as necessary. Compliance Risk Management training programs should, to the extent possible, be integrated into existing training programs and plans.

The Compliance Function shall establish a balance between prevention and detection. This aim mitigates the risk of imbalance between monitoring (detection), education and documentation. It is essential that compliance activities be appropriately balanced.
Appendix B: Glossary

Definitions
In this document, the following words shall have the following meanings unless otherwise defined or required by the context:

Aegon, Group, we, or the company
Means Aegon N.V., the Country/Operational Units and/or their (national and international) subsidiaries, branches and representative offices.

Aegon Standards
Means the Aegon corporate rules and regulations, adopted by the Executive Board, including the Aegon Code of Conduct, as may be amended and supplemented from time to time.

Audit/Risk Committee
Means the Audit/Risk Committee of the Supervisory Board.

Business Management
Means the Local Management Board and operational business management of a Country/Operational Unit.

Charter
Means this Aegon Global Compliance Charter including its Appendices, as both may be amended form time to time.

Compliance
Means respecting all relevant (external) laws and regulations as well as (internal) codes relevant to Aegon. Compliance not only seeks adherence to formal laws and regulations but also promotes the integrity of Aegon, its businesses and its staff.

Compliance Charter and Compliance Framework
Means the overall description of the Country/Operational Unit’s compliance organization, and the responsibilities and activities of the Compliance Function, as described in section 5 of this document.

Compliance Function
Means the collective (and various types of) functions at Country/Operational Unit level, at subsidiary, branch and/or representative office level as well as in the business lines, where appropriate, to which the compliance responsibilities are allocated, that identify, assess, advise on, monitor and report on the respective compliance issues and risks.

Compliance Manual
Means the compliance manual set forth in section 1 of Appendix A.

Compliance Officer
Means the individual(s) appointed as compliance officer(s) carrying out the responsibilities allocated to the (various types of) Compliance Function at Country/Operational Unit level, at subsidiary, branch and/or representative office level as well as in the business lines. The term ‘Compliance Officer’ is used in a generic way and is not restricted to officers with specific responsibilities allocated by law.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Plan</td>
<td>Means a series of tasks or events which comprise a strategic and tactical approach to the management of compliance risk, usually looking one year ahead.</td>
</tr>
<tr>
<td>Compliance Program</td>
<td>Means the compliance program as set forth in Appendix A, item 1.</td>
</tr>
<tr>
<td>Compliance Risk</td>
<td>Means the risk of impairment to the organization’s business model, reputation and financial condition, resulting from failure to meet laws, regulations, internal rules and regulations, and obligations to customers, employees and other stakeholders.</td>
</tr>
<tr>
<td>Compliance Risk Appetite</td>
<td>Means the amount of compliance risk Aegon is willing to accept as described in section 3.3 of this Charter.</td>
</tr>
<tr>
<td>Compliance Risk Management</td>
<td>Means compliance risk management as described in Appendix A of this Charter.</td>
</tr>
<tr>
<td>Country/Operational Unit</td>
<td>Means all Aegon country units and/or subsidiaires and the following regional/operational units: Aegon Central &amp; Eastern Europe, Aegon Asia, and Aegon Asset Management, each including their (national and international) subsidiaries, branches and representative offices.</td>
</tr>
<tr>
<td>Executive Board</td>
<td>Means the Executive Board of Aegon N.V.</td>
</tr>
<tr>
<td>Group Compliance Function</td>
<td>Means the compliance function at Aegon N.V. level.</td>
</tr>
<tr>
<td>Group Compliance Officers</td>
<td>Means members of the Group Compliance Function.</td>
</tr>
<tr>
<td>Local Compliance Function</td>
<td>Means the compliance function at Country/Operational Unit level.</td>
</tr>
<tr>
<td>Local Head of Compliance</td>
<td>Means the compliance officer, reporting to the Local Management Board at Country/Operational Unit level.</td>
</tr>
<tr>
<td>Local Management Board</td>
<td>Means the Executive (management) Board of the Country/Operational Unit and/or the Executive (management) Boards of its subsidiaries, where appropriate, depending on the context of the Group Compliance Guidelines.</td>
</tr>
<tr>
<td>Management Board</td>
<td>Means the Management Board of Aegon N.V. consisting of the members of the Executive Board and such other members as appointed to the Management Board by the Executive Board.</td>
</tr>
<tr>
<td>Risk Appetite</td>
<td>Means the amount of risk Aegon businesses are willing to accept.</td>
</tr>
<tr>
<td>(Group) Risk function</td>
<td>Means the risk management function at the Aegon N.V. level.</td>
</tr>
<tr>
<td>Supervisory Board</td>
<td>Means the Supervisory Board of Aegon N.V.</td>
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</tbody>
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