Directors' remuneration policy Q&A

May 2024

Q&A Aegon Ltd. Directors’ remuneration policy

Why is Aegon changing its Directors’ remuneration policy?

In accordance with Aegon’s bye-laws, the Board is required to ask the shareholders to vote on the Directors’ remuneration policy at the 2024 Annual General Meeting. The previous policy was adopted in 2020 and this vote should take place at least every four years.

For the 2024 vote on the remuneration policy, the Board has decided to propose a new remuneration policy for several reasons:

- To enable Aegon to attract and retain Executive and Non-Executive Directors who can deliver on Aegon’s ambitions for value creation and our strategy for growth.
- To establish a strong correlation between the Executive Director’s remuneration and Aegon’s financial performance, as well as the long-term interests of Aegon, its shareholders and other stakeholders, and to reduce the risk of paying for failure.
- To reflect the significant changes in Aegon’s profile, geographical footprint, governance, and strategy since the last vote on the remuneration policy in 2020.
- To consider continental European, UK, and US remuneration market standards and key proxy advisors’ guidelines.
- To achieve an equilibrium among diverse perspectives from various international stakeholders, despite the significant size of Aegon’s business in the US (currently around 70% of Aegon’s operations).

What are the key changes compared to the previous policy?

Peer group and positioning against the market

- There will be a new labor market peer group that better reflects the markets in which Aegon now competes for Executive and Non-Executive talent.
  - This new peer group consists of a blend of eight European insurance companies, four Dutch general industry companies that also have large businesses in the US, and four US insurance companies.
  - The previous policy had primary and secondary labor market peer groups, which consisted of 16 European insurance companies and 12 Dutch general industry companies respectively.
- The aim is that target total remuneration of the Executive and Non-Executive Directors should be competitive with respect to the market median of the new labor market peer group.
  - For the Executive Director, this is combined with a pay-mix that is more heavily weighted towards variable, performance-based remuneration. This would result in remuneration outcomes that appropriately vary above/below the market median in line with Aegon’s business performance.
  - Previously, the positioning of Executive and Non-Executive Directors’ remuneration against the market was not defined.

Executive Director’s remuneration policy

- The Executive Director’s remuneration will mostly consist of variable, performance-based compensation, while previously most remuneration was guaranteed. Fixed compensation and pension contribution levels will be lower, while the variable compensation opportunity will be higher, in line with the pay-mix observed in the new labor market peer group. This increases pay-for-performance and decreases the risk of paying for failure.
- Variable compensation for the Executive Director will consist of a distinct Short-Term Incentive (STI) and Long-Term Incentive (LTI). These replace the annual variable compensation that was more focused on short-term rather than long-term performance.
  - The STI will have a 1-year performance period and will be paid in cash after the performance period.
  - The LTI will have a 3-year performance period and will be delivered in Aegon performance shares that cliff-vest after the performance period. After vesting, these shares will be subject to a 2-year holding period (which continues to apply post-employment).
  - The LTI will have materially more weight compared to the STI.
- The STI and LTI performance metrics will mostly focus on financial performance and the STI will continue to include quantitative ESG metrics. Previously, the performance metrics for the annual variable compensation were at least 50% non-financial in nature.
- The policy will introduce a minimum shareholding requirement for the Executive Director of 400% of base salary, to be built up within four years by retaining vested shares on an after-tax basis (no requirement to buy shares).
- The new Executive Director’s remuneration policy will be applied to our current CEO, who is currently the only Executive Director.

Non-Executive Director’s remuneration policy

- The remuneration of Non-Executive Directors will consist of annual Board and committee membership fees. This will discontinue their eligibility for attendance and travel fees that were included in the previous remuneration policy. (Travel expenses to attend Board meetings will continue to be paid or reimbursed by Aegon.)
- The remuneration of the Chair of the Board aligned with the new one-tier governance structure and responsibilities, where the CEO and Chair of the Board are each other’s counterbalance.
- The annual Board fee will be paid around 75% in cash and around 25% in fixed Aegon shares (which do not depend on any performance). This is aimed at aligning the remuneration of the Non-Executive Directors with the long-term interests of Aegon and its shareholders, and to be in a stronger position to compete for Non-Executive Directors in markets where this is the norm such as in the US and parts of Europe.
- This is combined with a minimum shareholding requirement equal to 100% of the cash portion of the annual Board retainer, to be built up within four years by retaining vested shares on an after-tax basis (no requirement to buy shares). This requirement further aligns the remuneration of the Non-Executive Directors with the long-term interests of Aegon and its shareholders, also taking into account the independent role of the Board.

What process did you follow to develop the new remuneration policy?

The policy was subsequently developed over several months, and was discussed by the Board with many different stakeholders in two engagement rounds. These stakeholders included Aegon's largest shareholders, proxy advisors, shareholder representatives, and employee representatives.

- There was broad support for the proposed simplification of the policy, changing the Executive Director's remuneration from mostly guaranteed to mostly variable, and linking the variable compensation much stronger to Aegon's long-term and financial performance.
- After considering the stakeholder feedback, the Board removed one of the performance metrics that was being considered for the 2024 plan year, revised the labor market peer group selection method, and decided to position the target total remuneration of the current CEO and the total remuneration of the current Chair of the Board below their respective market medians of the new labor market peer group.
- In addition, the Board further clarified changes such as to the selection criteria for the relative Total Shareholder Return peer group and the details behind the performance metrics considered for the 2024 plan year, such as the blended commercial metric and blended ESG metric.

Why is a new labor market peer group introduced?

The previous policy was adopted in 2020 and since then the profile of our company, its geographical footprint, governance and strategy have changed significantly. The markets in which Aegon will compete for Executive and Non-Executive Directors have shifted along with these changes. Hence, we need a new labor market peer group that allows the Board to benchmark remuneration structures and levels for Executive and Non-Executive talent.

The new labor market peer group reflects the diverse profile and geographical footprint of the company, as it is a blend of eight European insurance companies, four Dutch general industry companies, and four US insurance companies. Despite the significant size of Aegon's business in the US, which currently constitutes around 70% of Aegon's operations, the number of US companies is deliberately underweighted in the labor market peer group to be mindful of Aegon's roots, primary listing, and headquarters in Europe.

- The European and US insurance companies are included as competitors for talent with experience in the same industry and markets in which Aegon operates. Companies are selected based on revenues and total assets within a bandwidth around Aegon's numbers, and with a preference for companies that for their main sub-industry within the Global Industry Classification Standard are classified as a Life & Health Insurance company.
- The Dutch general industry companies, which are included in AEX index, reflect competitors for talent with experience in Dutch companies that also have a large part of their business in the US like Aegon.

European insurance companies		Dutch general industry companies	US insurance companies
Assicurazioni Generali	Prudential	Ahold Delhaize	Lincoln National
Aviva	Swiss Life Holding	Randstad	Principal Financial Group
AXA	Unipol Gruppo	Philips	Prudential Financial
Legal & General Group	Zurich Insurance Group	Wolters Kluwer	Voya Financial

What will the new remuneration policy mean for the current CEO?

The remuneration package of the current CEO will be restructured, in order to apply the new remuneration policy. This was calculated as follows:

- First, his fixed compensation for 2024 has been reduced to a base salary of EUR 1,300,000 and 15% in pension contributions. These amounts were EUR 1,637,213 and 40% respectively.
- The reduction of EUR 722,000 in fixed compensation was subsequently converted into an STI target of 100% of the base salary, and an LTI target of 175% of the base salary. This equaled a conversion of fixed into variable compensation with a ratio of 1 to 2.8. The previous annual variable compensation plan will be discontinued.
- Lastly, the base salary level was increased by 5% to EUR 1,365,000 as part of the regular annual salary adjustment review. For this, the Board took internal and external salary developments into account.

The target total remuneration level of CEO's new remuneration package is at the 25th percentile of the labor market peer group. The pension contribution level of 15% of base salary is lower than what applies to Aegon's workforce in the Netherlands, but is in line with the market median of the new labor market peer group. In line with the new policy, the STI and LTI awards for the current CEO can range between 0% and 200% of target, depending on the outcomes of the performance metrics of these incentives.

2024 remuneration *in EUR*	**Below threshold**	**Threshold**	**Target**	**Maximum**
Base salary		1,365,000		
Pension		15% 204,750		
Short-Term Incentive opportunity (1-year performance period)	0% 0	50% 682,500	100% 1,365,000	200% 2,730,000
Long-Term Incentive opportunity (3-year performance period	0% 0	87.5% 1,194,375	175% 2,388,750	350% 4,777,500
Total Remuneration	**1,569,750**	**3,446,625**	**5,323,500**	**9,077,250**

These changes will be implemented retroactively as of January 1, 2024. By lowering the remaining base salary payments and pension contributions in 2024, ensuring that the total 2024 base salary and pension levels will equal EUR 1,365,000 and 15% respectively.

The CEOs fixed compensation level will be reduced by EUR 722,000 with immediate effect in 2024, while the opportunity of higher variable compensation may pay-out over time (i.e. not directly in 2024), provided that it has been earned through strong and mostly long-term financial performance:

- The base salary and pension contributions are paid in 2024.
- The STI and LTI awards are not paid in 2024 but must be earned over a 1- and 3-year performance period respectively.
- This means that when threshold performance is met or exceeded, the STI is paid in cash in 2025 and the LTI's performance shares will vest in 2027.
- The vested LTI shares will subsequently be subject to a 2-year holding period until 2029.

2024 remuneration	2024	2025	2026	2027	2028	2029
Base salary	Pay-out					
Pension	Pay-out					
Short-Term Incentive	Perf. period	Pay-out				
Long-Term Incentive	Performance period			Vesting	Holding period	

For the current CEO only, the LTI awards at the end of the employment will not be pro-rated as per the policy's standard. The two LTI plan years before the termination year will be awarded in full, and the LTI plan for the termination year will be pro-rated for time employed in the termination year. These LTI awards will be based on actual results after their respective performance periods. This does not apply when the CEO resigns or is terminated because of an urgent cause or gross negligent behavior. This exception enables the current CEO to fully participate in the new LTI plan and ensures continued long-term alignment with Aegon's shareholders.

For reference, the previous remuneration package, which was mostly guaranteed through higher base salary and pension levels. The annual variable compensation opportunity was limited and focused on short-term performance, with performance metrics that were at least 50% non-financial in nature.

Previous remuneration *in EUR*	**Below threshold**	**Threshold**	**Target**	**Maximum**
Base salary	1,637,213			
Pension	40% 654,885			
Annual Variable Compensation	0% 0	50% 818,606	80% 1,309,770	100% 1,637,213
Total Remuneration	**2,292,098**	**3,110,704**	**3,601,868**	**3,929,310**

How does the new compensation package of the current CEO compare to the market?

The CEO's 2024 base salary of EUR 1,365,000 and pension level (15%) are around the market median of the new labor market peer group (EUR 1,295,000 and 15% respectively).

The 2024 target total remuneration level of EUR 5,323,500 is at the 25th percentile of the new labor market peer group (EUR 5,365,000). The market median of the peer group is EUR 6,520,000.

The CEO's threshold and maximum total remuneration levels are also in line with the 25th percentile, because the STI and LTI can vary within the same 0% to 200% of target range that is common practice in this peer group.

Remuneration	**Proposed 2024**	**Market data (target compensation)**		
in EUR	**target package**	**25th percentile**	**Median**	**75th percentile**
Base salary	1,365,000	1,150,000	1,295,000	1,530,000
Target Total Remuneration	5,323,500	5,365,00	6,520,000	8,350,000

How will the remuneration package of the current CEO develop after 2024?

There will an annual salary adjustment review, in which the Board can decide to increase the CEO's base salary. For this the Board will take into account the CEO's individual performance, internal salary changes (both for senior management and the Dutch general employee population), salary developments in the new labor market peer group, and economic developments. This continues the annual salary adjustment review approach of the previous remuneration policy.

There will be no changes to other remuneration components (e.g. target STI and LTI percentages), unless there are significant changes to Aegon's scope (e.g. in terms of revenue or total assets). In that case the Board will consider changes that reflect the new scope, and will engage with its stakeholders, even if the intended changes would stay within the new remuneration policy. Any change to the CEO's remuneration levels will be disclosed in the Remuneration Report.

What are the notice periods that will apply to the employment agreement of the current CEO?

The current CEO can terminate the employment agreement with a notice period of four months, while the Board can terminate this agreement with a notice period of eight months (complying with Dutch labor law, which requires that the latter period is at least twice as long).

Will the current CEO be eligible for a termination fee?

The current CEO is eligible for a termination fee that is equal to one time the annual base salary at the time, unless his employment is terminated for reasons that are related to acts or omissions by the CEO which constitutes an urgent cause, or which constitutes gross negligent behavior.

What will the STI metrics be for the current CEO?

For the 2024 plan year, the Board selected the following STI performance metrics:

- Operating Capital Generation from our Business Units, with a 45% weight.
- A blended commercial metric that measures the key revenue and sales metrics of Aegon’s business units, with a 40% weight.
- A blended ESG metric that measures weighted average carbon intensity, employee engagement, and women in senior management, with a 15% weight equally distributed. (These are the same quantitative ESG metrics that were used for the 2023 annual variable compensation plan.)

An end-of-year risk assessment will be performed by the Chief Risk Officer to ensure that business is conducted in line with the enterprise risk management framework and neither excessive nor inappropriate risks are taken to meet targets, in particular for but not limited to the commercial metrics. This risk assessment will be taken into account by the Board when approving the STI result.

The Board aims to keep the STI performance metrics stable for consecutive plan years, but may exercise discretion to further develop the STI performance metrics over time to ensure a continued alignment with the company’s strategy and stakeholder’s interests.

The targets and performance results will continue to be retrospectively disclosed in the remuneration report, including the underlying details of the blended metrics. This remuneration report is subject to an annual advisory (say-on-pay) vote at the Annual General Meeting.

What will the LTI metrics be for the current CEO?

For the 2024 plan year, the Board selected the following LTI performance metrics:

- Relative Total Shareholder Return, with a 50% weight.
- Return on Regulatory Capital, with 50% a weight.

The Board aims to keep the LTI performance metrics stable for consecutive plan years, but may exercise discretion to further develop the LTI performance metrics over time to ensure a continued alignment with the company’s strategy and stakeholder’s interests.

The targets and performance results will continue to be retrospectively disclosed in the remuneration report. For the Relative Total Shareholder Return metric the peer group and target levels are disclosed upfront (see next question). This remuneration report is subject to an annual advisory (say-on-pay) vote at the Annual General Meeting.

What are the targets and peer group for the relative Total Shareholder Return performance metric?

For the relative Total Shareholder Return (TSR) metric, the threshold is set at median performance compared to the Relative Total Shareholder Return peer group, the target is set at the 66th percentile (top 1/3 of the peer group) and the maximum is set at the 83rd percentile (top 1/6 of the peer group).

The peer group for relative TSR is based on the following selection steps:

- Selection of all companies with a Life & Health sub-industry classification from the Global Industry Classification Standard in the Dow Jones US insurance index and the Stoxx 600 Insurance index, provided they have a market capitalization of more than EUR 2.5 billion.
- Removal of peers where this classification is no longer representative, for example after a (de)merger announcement.
- Addition of other companies with a comparable business profile to Aegon from the US, Canada, and Europe that were not captured under the first step.

As of 2024, the following Relative Total Shareholder Return peer group has been selected:

Selection groups	Peer companies		
Dow Jones US insurance index	Principal Financial Lincoln National Prudential Financial Primerica	Globe Life CNO Financial Brighthouse Financial Unum	Genworth Financial Aflac MetLife
Stoxx 600 Insurance index	Prudential Swiss Life Legal & General	Storebrand NN	Phoenix Poste Italiane
Other companies	Corebridge Voya Jackson National	Equitable Holding Ameriprise Manulife	Sunlife M&G Aviva

The Board aims to keep this peer group stable for consecutive plan years, but may exercise discretion to keep the Relative Total Shareholder Return peer group relevant and up-to-date, for example in the case of de-listings, mergers, or other extraordinary circumstances. Any change to this peer group will be disclosed in the remuneration report.

What will be the new policy mean for the Chair of the Board?

The policy will retroactively apply to all Non-Executive Directors, including the Chair of the Board, as of January 1, 2024. The annual Board membership fee for the Chair of the Board is positioned at the 36th percentile of the labor market peer group. And the Chair of the Board will not be eligible for annual committee Chair or committee membership fees.

Annual Board membership fees	Chair: € 375,000 in cash and € 125,000 in non-performance based restricted Aegon shares

To retroactively implement this change, the Chair of the Board voluntarily agreed to postpone the pay-out of any 2024 fees until after the Annual General Meeting on June 12, 2024.

What will be the new policy mean for the other Non-Executive Directors?

The policy will retroactively apply to all Non-Executive Directors, as of January 1, 2024. The Board membership fees for the Vice Chair and members, as well as the annual committee Chair and committee membership fees, are positioned around the market median of the labor market peer group.

Annual Board membership fees	Vice Chair: € 95,000 in cash and € 30,000 in non-performance based restricted Aegon shares Member: € 85,000 in cash and € 30,000 in non-performance based restricted Aegon shares
Annual committee membership fees	Audit Committee and Risk Committee: - Chair: € 35,000 in cash - Member: € 20,000 in cash Compensation and Human Resources Committee: - Chair: € 30,000 in cash - Member: € 20,000 in cash Nomination and Governance Committee: - Chair: € 20,000 in cash - Member: € 15,000 in cash

To retroactively implement these changes, most Non-Executive Directors have voluntarily agreed to postpone the pay-out of any 2024 fees until after the Annual General Meeting on June 12, 2024. In the other cases, the remaining fee payments in 2024 will be corrected to ensure that the total 2024 fees equal the amount to which each Non-Executive Director is entitled under this policy.

How will the remuneration levels of the Non-Executive Directors develop after 2024?

There will an annual fee adjustment review, in which the Board can decide to increase the annual Board and/or committee membership fees. For this the Board will look at fee developments in the labor market peer group and economic developments. This continues the practice of the previous remuneration policy. Any change to the Non-Executive Director fees will be disclosed in the Remuneration Report.

The Board will not materially change how the Annual Board membership fee for the Chair of the Board is currently positioned against the market unless there are significant changes to Aegon's scope (e.g. in terms of revenue or total assets). In that case the Board will consider changes that reflect the new scope, and will engage with its stakeholders, even if the intended changes would stay within the new remuneration policy.

What are the main risk management process around the remuneration of the CEO?

For each plan year, the Chief Risk Officer executes a target setting risk assessment of the weights, minimum, target, and maximum levels of the STI and LTI performance metrics, to ensure these do not induce excessive risk taking or behaviors that are not in line with the company's strategy or customer interests.

Where appropriate, the Chief Risk Officer reviews the outcomes of performance metrics on excessive or inappropriate risk taking. For the 2024 plan year this will apply to the blended commercial STI metric that measures the key revenue and sales metrics of Aegon's business units.

STI and/or LTI awards can be adjusted downward by the Board before allocation or pay-out (i.e. apply a malus adjustment), based on the findings of the annual malus risk assessment executed by the Chief Risk Officer Risk. Additionally, the Board has the authority to claw back any paid STI and/or vested LTI awards.

Full or partial malus or claw back will be applied in the following exceptional situations:

- the Executive Director has failed to meet the appropriate standards of competence and correct behavior;
- the Executive Director was responsible for conduct that has resulted in a significant decline in the company's financial position;
- the payment was based on incorrect information on the fulfillment of the criteria and/or conditions for the payments(s); and/or
- the payment(s) of such compensation would be unacceptable according to the principles of reasonableness and fairness.

In accordance with the US Securities and Exchange Commission rules that apply in 2024, if Aegon is required to prepare a Restatement, the Board shall recover the portion of any incentive-based compensation that is erroneously awarded compensation, unless the Board determines that recovery would be impracticable. Recovery of incentive-based compensation under the current US Securities and Exchange Commission rules is required regardless of whether the applicable person engaged in misconduct or otherwise caused or contributed to the requirement for the restatement and regardless of whether or when restated financial statements are filed by the Aegon.

What will happen when the new Directors’ remuneration policy is not adopted by the shareholders?

In that case the current remuneration policy will remain effective and unchanged, and the Board will be required to propose a new remuneration policy at the latest at the Annual General Meeting in 2025.

ANNEX: Pay-out scenarios for the CEO

The following tables show what the pay-out levels are in future calendar years, based on the new remuneration package, in case of four scenarios when the STI and LTI are both:

A. not meeting the threshold and their pay-out is 0% of target;
B. equal to the threshold and their pay-out is 50% of target;
C. equal to the target and their pay-out is 100% of target; and
D. equal or exceeding the maximum and their pay-out is 200% of target.

These scenarios assume no changes in base salary and share price, and the value of the deferred shares under the previous policy is based on an assumed share price of EUR 6.00.

<u>Scenario A: STI and LTI results below the threshold</u>

In EUR thousand

Scenario: STI and LTI below threshold	Pay-out per calendar year				
	2024	**2025**	**2026**	**2027**	**2028**
Base Salary	€ 1,365	€ 1,365	€ 1,365	€ 1,365	€ 1,365
Pension	€ 205	€ 205	€ 205	€ 205	€ 205
STI - 2024		€ 0			
STI - 2025			€ 0		
STI - 2025				€ 0	
STI - 2026					€ 0
LTI - 2024-2026				€ 0	
LTI - 2025-2027					€ 0
Cash VC - 2023	€ 510				
Share VC - 2020	€ 825				
Share VC - 2021		€ 1,651			
Share VC - 2022			€ 1,218		
Share VC - 2023				€ 1,266	
Total	**€ 2,904**	**€ 3,221**	**€ 2,788**	**€ 2,835**	**€ 1,570**

Scenario B: STI and LTI results equal to the threshold

In EUR thousand

Scenario: STI and LTI at threshold	Pay-out per calendar year				
	2024	2025	2026	2027	2028
Base Salary	€ 1,365	€ 1,365	€ 1,365	€ 1,365	€ 1,365
Pension	€ 205	€ 205	€ 205	€ 205	€ 205
STI - 2024		€ 683			
STI - 2025			€ 683		
STI - 2025				€ 683	
STI - 2026					€ 683
LTI - 2024-2026				€ 1,194	
LTI - 2025-2027					€ 1,194
Cash VC - 2023	€ 510				
Share VC - 2020	€ 825				
Share VC - 2021		€ 1,651			
Share VC - 2022			€ 1,218		
Share VC - 2023				€ 1,266	
Total	**€ 2,904**	**€ 3,903**	**€ 3,471**	**€ 4,712**	**€ 3,447**

Scenario C STI and LTI results equal to the target

In EUR thousand

Scenario: STI and LTI at target	Pay-out per calendar year				
	2024	2025	2026	2027	2028
Base Salary	€ 1,365	€ 1,365	€ 1,365	€ 1,365	€ 1,365
Pension	€ 205	€ 205	€ 205	€ 205	€ 205
STI - 2024		€ 1,365			
STI - 2025			€ 1,365		
STI - 2025				€ 1,365	
STI - 2026					€ 1,365
LTI - 2024-2026				€ 2,389	
LTI - 2025-2027					€ 2,389
Cash VC - 2023	€ 510				
Share VC - 2020	€ 825				
Share VC - 2021		€ 1,651			
Share VC - 2022			€ 1,218		
Share VC - 2023				€ 1,266	
Total	**€ 2,904**	**€ 4,586**	**€ 4,153**	**€ 6,589**	**€ 5,324**

Scenario D: STI and LTI results equal to or exceed the maximum

In EUR thousand

Scenario: STI and LTI at max	Pay-out per calendar year				
	2024	2025	2026	2027	2028
Base Salary	€ 1,365	€ 1,365	€ 1,365	€ 1,365	€ 1,365
Pension	€ 205	€ 205	€ 205	€ 205	€ 205
STI - 2024		€ 2,730			
STI - 2025			€ 2,730		
STI - 2025				€ 2,730	
STI - 2026					€ 2,730
LTI - 2024-2026				€ 4,778	
LTI - 2025-2027					€ 4,778
Cash VC - 2023	€ 510				
Share VC - 2020	€ 825				
Share VC - 2021		€ 1,651			
Share VC - 2022			€ 1,218		
Share VC - 2023				€ 1,266	
Total	**€ 2,904**	**€ 5,951**	**€ 5,518**	**€ 10,343**	**€ 9,077**