

# Be part of the solution

*While financial services firms benefit from public supports, they often are seen as generating inadequate services for customers*

BY EDWARD WAITZER

THE COURTS AND REGULATORS increasingly are intervening to try to break a cycle, bred by conflicts of interest and lack of transparency, that has created a disconnect between the financial services sector and the real economy. Both the courts and the regulators are responding to incidents of egregious behaviour, such as abuse of seniors by financial advisors, and are sensitive to the fact that public perceptions of the financial services sector are dominated by lack of understanding or trust.

While the sector continues to enjoy the benefits of public licences and subsidies, it is perceived to generate suboptimal client and social returns. The cultures of financial services institutions have become harder to manage and isolated from the values and beliefs of the “millennial” generation, who, relative to their predecessors, are less trustful, do not see money as the best measure of success and believe that too much power is concentrated in the hands of few big companies. A disproportionate amount of this demographic cohort’s savings is in cash, compared with other age groups.

Given the critical role of the financial services sector, these challenges cannot be ignored. Rather than waiting for courts and regulators to respond to public expecta-

tions, there are extraordinary opportunities for the sector to increase public awareness of the role of financial services in mobilizing and allocating capital and risk, and in contributing to sustainable prosperity. These are some of the themes that AEGON NV, a global, Netherlands-based provider of life insurance, pensions and asset-management services, has addressed in its 2014 annual review, entitled *Creating and Sharing Value*. This effort is one that others might consider emulating.

AEGON’s reader-friendly document explains how the company goes about helping its customers take responsibility for their own financial futures. The report also explores the relationships between the institution’s goals — many of which are focused on better understanding and connecting with its customers — and AEGON’s performance. The report identifies and describes what AEGON’s management team views as the issues that will shape the future of the company over, at least, the next three to five years.

The report then discusses the trends for five of these issues: increased regulation of the financial services sector; the growing importance of new technologies; changing capital requirements for the insurance industry; persistently low interest rates; and global aging and changing demographics. The report also discusses how AEGON is addressing the opportunities and risks associated with each of these issues.

The other two material issues addressed in the report are customer service, including product performance, and employee engagement. Each is discussed in a detailed re-

view of how AEGON creates and shares value as a provider of financial services, an employer and an investor in its communities.

The report also provides a comprehensive set of non-financial (as well as financial) performance metrics. These include employee engagement, tackling misconduct, fraud and mis-selling, human capital performance, and community investment. All of these are subject to

independent assurance by PricewaterhouseCoopers LLP. The focus is on outcomes rather than products.

Financial services and markets have been an engine for innovation and wealth creation, and are essential to ensuring our future well-being.

Fully realizing this function, however, will require deliberate action to correct the cultural and structural problems that have persisted within the financial services sector.

To do so, this sector must demonstrate regard for the systemic effects of its actions. The AEGON report should serve as a good example for other financial services firms seeking to rebuild public trust by articulating their sense of social purpose and the utility of the sector as a whole.

Encouraging broader stewardship responsibilities throughout the financial services supply chain are integral to the sector becoming part of the solution. **IE**

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**The AEGON report shows how financial services firms can rebuild public trust**