

Cofunds Limited

Corporate Governance Disclosures

This statement presents corporate governance disclosures included in the annual report for Cofunds Limited for the year ended 31 December 2021. The Companies (Miscellaneous Reporting) Regulations 2018 requires these disclosures to be included in Cofunds Limited's (the Company) statutory accounts and published on the Company's website. This document is prepared based on the annual report disclosure and published on the Company's website to fulfil that requirement.

Introduction

Corporate governance reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") apply to companies meeting specific qualifying conditions. The Company meets some of these qualifying conditions and is required in its Annual Report to include disclosures on:

- i) how the Directors have had regard to the matters in section 172 (1)(a) to (f) of the Companies Act 2006 (the "Act");
- ii) how the Directors have engaged with employees; and
- iii) how the Directors have engaged with customers, suppliers and others.

Disclosures addressing point (i) are presented immediately below. Disclosures addressing points (ii) and (iii) are presented in the 'Statement on engagement with employees and other stakeholder's in the section that follows.

Section 172(1) Companies Act 2006 Statement

Section 172 (1) of the Act states that: "A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;

- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards of business conduct;
and
- (f) The need to act fairly as between members of the company."

The Directors consider all matters relevant to the particular issue before them for consideration whilst acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members. This includes, amongst other things, the factors listed above.

Aegon UK Corporate Services Limited (AUKCS), a fellow subsidiary of Aegon UK plc, provides services to the Aegon UK Group and in particular employ those personnel who provide services to the Company. Therefore, as the Company has no employees under contracts of service, it is those personnel that are referred to as employees throughout this statement.

The Directors have put in place suitable processes so that all relevant matters are factored into the Board's decision making, for example, the requirement that all papers prepared for the Board follow a template which requires the paper author to set out, amongst other things, the key points, matters for discussion, stakeholder implications (stakeholder implications covering the Company's customers, suppliers, regulators, employees, the community and the environment) and risk and capital implications of the matters in the paper. These ensure the stakeholder implications and risk and capital implications alongside other key points, for example protection of client money, can be appropriately considered by the Board in their deliberations.

The Board also, as part of its corporate governance framework, has a training plan in place. This ensures that each year the Directors receive regular training from subject matter experts on a wide range of topics, which in 2021 included training on Climate Change. Such training helps to ensure that the Directors are kept up to date regarding the range of matters to be taken into account in respect of each decision they are asked to make.

The approach described above assisted the Directors with their consideration of the business' response to the Covid-19 pandemic and its plans for colleagues to safely and gradually return to office working. The Board received a number of papers and presentations on the return to office planning, including plans for a smart working pilot involving a number of colleagues which was held in Q4 2021, and helped inform Management's plans for all colleagues to return to the office. Further detail on how the Directors demonstrated their responsibilities under s172 is presented as follows:

- In terms of the consideration of the likely consequences of any decision in the long term, the Board considered the financial impact on the Company of the return to office working plans and the actions being taken by the Company to facilitate this.

- In terms of the impact of the return to office working on the interests of employees, the Board considered the impact on employees' wellbeing. Throughout the pandemic, the Board has ensured that employees have been offered physical and mental wellbeing support, including regular 1-1 meetings with their line manager by telephone or video conference call and was reassured this would continue as part of management's return to office working plans.
- The impact on the Company's customers and advisers was also considered. As the company was able return to more normal working arrangements during the year, Distribution activity increased and the teams were able to meet more advisers, consultants and clients in a face to face setting.
- The impact on the shareholder of the Company and the ultimate beneficial owner of the Company, Aegon N.V. was also considered. All Aegon N.V. offices put measures in place to create a safe environment in all locations.
- The impact on suppliers to the Company was appropriately considered by the Board as it received regular updates on the current position with critical suppliers, key activities being undertaken to strengthen the Company's approach to supplier management and oversight of the key risks under management.
- The impact of the return to office working on the community and the environment was appropriately considered by the Board. The Board considered that employees gradually returning to office working would have a positive effect in terms of increased engagement in the community.
- The Board did not have to consider the need to act fairly between members of the Company as there is only one member and it is ultimately beneficially owned by Aegon N.V..

The approach described above also assisted the Directors with their consideration of the Company's Client Assets ("CASS") controls. The Board received a number of papers and presentations on this and these papers highlighted the Company's compliance, change initiatives, regulatory engagement and management actions being taken in respect of CASS. Further detail on how the Directors demonstrated their responsibilities under s172 as part of this project is presented as follows:

- In terms of the consideration of the likely consequences of any decision in the long term, the Board noted that enhancing the CASS controls environment aligns closely with the Better Financial Wellbeing and Sustainable Partner pillars of the Company's Strategy.
- In terms of the impact of the strategy on the interests of employees, the Board considered the importance of ensuring employees are properly trained and engaged on the processes required to ensure the safe custody of customer assets.

- The impact on the customers of the Company was appropriately considered by the Board as ensuring customer assets are protected and accounted for in a timely and accurate manner is key to protecting their assets.
- The views of the Regulator of the Company were appropriately considered by the Board and the Board ensured that the Executive of the Company engaged with the Regulator as necessary in respect of its CASS controls.
- The commercial impact on the Company's suppliers was considered by the Board. The Board was satisfied that having strong CASS controls in place aligns with the Company's commitment to be a safe, secure and long-term sustainable partner.
- The impact on the community and the environment was appropriately considered by the Board. Having strong CASS controls in place aligns with the Sustainable Partner pillar of the Company's strategy.

The Board was concerned to maintain and protect its reputation for high standards of business conduct and having a strong CASS control environment in place is consistent with this. The impact on the shareholder of the Company and the ultimate beneficial owner of the Company, Aegon N.V., was carefully considered, including the financial and reputational impact of having strong CASS controls in place. In respect of all the decisions before it the Board does not have to consider the need to act fairly between members of the Company as there is only one member and it is ultimately beneficially owned by Aegon N.V..

For more information regarding the Board's consideration of:

- employees, refer to the 'Statement on engagement with employees and other stakeholders' below. This outlines, amongst other things, the main methods the Directors have used to engage with employees; and
- the Company's suppliers, customers and others refer to the 'Statement on engagement with employees and other stakeholders' below. This outlines, amongst other things, the main methods the Directors have used to engage with the Company's suppliers, customers and others including, without limitation, the Company's Regulators and Shareholder.

Statement on engagement with employees and other stakeholders

Under the Companies (Miscellaneous Reporting) Regulations 2018' (SI 2018/860), 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410), companies above a certain size are required to include information about engagement with employees, suppliers, customers and other stakeholders.

Aegon UK Corporate Services Limited (AUKCS), a fellow subsidiary of Aegon UK plc, provides services to the Aegon UK Group and in particular employ those personnel who provide services to the Company. Therefore, as the Company has no employees under contracts of service it is those personnel that are referred to as employees throughout this statement.

Notwithstanding any specific targets, it is Aegon's policy to ensure equal opportunities for all employees of the Aegon UK Group. The only criteria considered for the recruitment or promotion of staff is suitability for the position, regardless of sex, sexual orientation, marital status, age, religion, ethnic origin or disability (having due regard to the individual's aptitudes and abilities). It is Aegon's policy, wherever possible, to continue the employment of staff who have become disabled (with appropriate re-training when required). No discrimination is made against disabled employees with regard to training, career development or promotion.

By means of regular announcements and staff briefings and meetings with the independent trade unions, AEGIS and UNITE, Aegon has maintained its policy of providing information and consulting on matters likely to affect the interests of staff.

Employees are a key stakeholder of the Company. The Board operates a hybrid between a formal workforce advisory panel and a designated non-executive director to carry out its employee engagement. One of the non-executive Directors of the Company's shareholder, Aegon UK plc, has taken on the role of strengthening the Aegon UK plc Board and the Company's Board's engagement with employees.

The following are examples of the Company's engagement with employees:

- Expanding our Inclusion & Diversity programme during 2021 to focus on several additional communities with numerous I&D events and initiatives supported using technology throughout 2021.
- Wellbeing support provided to our employees throughout the year to support them in managing the impacts of the Covid-19 pandemic and the gradual return to office working, including the creation of a Wellbeing Hub bringing together support and benefits provided to employees, provision additional paid dependants' leave and provision of online health check and GP services.
- Aegon UK operates a robust pay and grading framework, based on a recognised job evaluation methodology. Within this framework, Aegon UK conducts annual benchmarking to ensure that terms and conditions of employment and employee total reward packages are positioned at competitive levels.

- The Company engages with employees on at least a quarterly basis through senior manager briefings the contents of which are cascaded to all employees. At these briefings members of the Executive of the Company share updates regarding key topics such as the financial results, strategy development and business performance. In addition, the Company holds an annual event for all employees that covers progress over the year and objectives for the following year. This is hosted by the Executive of the Company and as well as cascading information is an opportunity for any individual to ask questions of the Executive. This event and the briefings were held virtually during 2021.

In respect of engagement with suppliers, the Directors regularly review Management Information on the Company's relationship with its suppliers. This informs them of the status of the relationship with each key supplier and their current performance against, amongst other things, service levels. The Board is also regularly updated regarding the key activities being undertaken by the Company to continually improve its approach to supplier management in order to ensure protection for its customers, including Risk Assessments and Contingency Plans.

In respect of engagement with customers, the Company has established a number of customer and adviser panels which it uses to engage with customers and advisers on relevant issues. These are used, amongst other things, to help shape proposition developments.

In respect of engagement with the regulator, the Company has regular engagement with its regulators and maintains an open dialogue with them. Such engagement includes periodic meetings with Board members and some of the Executive covering topics including, without limitation, governance arrangements, systems and controls, and risk and capital matters. These meetings enable the Company to understand the regulator's perspective on the key issues which it faces in order that these can be taken into account in the matters before the Board.

In respect of engagement with shareholders, the CEO is a member of the Management Board of Aegon N.V. and regularly engages with Aegon N.V. in respect of the key issues facing the Company. This enables the Board to take into account as appropriate the perspective of the shareholder in respect of the matters for its consideration.

The implications for the Company's stakeholders (which includes, without limitation, its employees, suppliers, customers, regulators and shareholder) of matters presented to the Board for decision must be included in all board papers.