

# 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 2024. 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 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, employ those colleagues who provide services to the Aegon UK, including the Company. Therefore, as the Company has no employees under contracts of service, it is those colleagues 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 participate in a well-structured training plan run by the Company secretary to ensure that Directors are fully up to date on all regulatory changes and director requirements.

In addition to the Aegon UK regulatory board training programme, the Board also participate in deep dives and presentations from subject matter experts on a wide range of topics. During 2024 this included a number of presentations from Management on Aegon UK Strategy Teach-in, Consumer Duty, IT developments and Aegon UK's plans to simplify and remove complexity and duplication from the business and introduce Artificial Intelligence capability. These presentations help 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 discussions on Aegon UK Group's multi-year strategic ambitions. 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 received presentations on the long-term benefits to the Company through the operational and cost efficiencies to be achieved by simplification.
- In terms of the impact of the Simplification Programme on the interests of employees, the Board noted that the programme would deliver enhanced automation and remove many manual processes which are time consuming for employees and have the potential for human error.
- The impact of the Simplification Programme on the Company's customers and advisers was also considered, and the Board noted that greater automation would encourage greater usage of Aegon's digital channels, thereby transforming how customers and advisers engage with Aegon.
- The impact on the shareholder of the Company and the ultimate beneficial owner of the Company, Aegon Ltd was also considered. The Shareholder is supportive of Management's strategic ambitions and the competitive advantage to be leveraged for the entire Group as a result.
- The impact on stakeholders to the Company was appropriately considered by the Board with regards to the Simplification Programme. In particular, the benefit to the environment from greater automation as the volume of paper-based customer communications will be greatly reduced.
- 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 Ltd.

The approach described above also assisted the Directors with their consideration of the advancements being made in Generative Artificial Intelligence (GenAI). The Board received a teach-in on the early stages of Management's utilisation of GenAI as a strategic enabler. 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 the opportunity for GenAI to act as a tool for sustainable growth and be a catalyst for collective progress and innovation.
- In terms of the impact on the interests of employees, the Board was informed that the GenAI programme was exploring options to benefit employees, including automation of repetitive tasks and processes.
- The impact on the customers of the Company was appropriately considered by the Board, particularly the use of GenAI to deliver a speedier and more accurate service to customers.

- The Board noted the potential positive impact on the shareholders of the Company and the ultimate beneficial owner of the Company, Aegon Ltd, as GenAI has the potential to amplify shareholder returns and can help to identify potential investment opportunities in companies with strong ESG performance.
- The commercial impact on the Company's suppliers was considered by the Board. Benefits of GenAI for suppliers include improving supply chain decision-making and operational efficiency. GenAI also provides the ability to analyse supplier performance data to select suppliers based on quality, cost, reliability and sustainability credentials.
- The impact of GenAI on the community and the environment, such as its ability to track the environmental footprint to predict weather and identify pollution was also noted by the Board and will evidence the Company's desire to be a force for good.

The Board was keen to maintain and protect its reputation for high standards of business conduct and having a strong financial position is consistent with this. The impact on the shareholder of the Company and the ultimate beneficial owner of the Company, Aegon Ltd, was carefully considered, including the financial and reputational impact of having a strong financial reporting regime 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 Ltd.

## **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.

AUKCS employs those colleagues who provide services to the Aegon UK Group, including the Company. Therefore, as the Company has no employees under contracts of service it is those colleagues that are referred to as employees throughout this statement.

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 work force 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:

- We have thriving colleague-led inclusion and diversity networks sponsored by our Executive Committee members, who provide an important way of engaging with employees. In 2024 our networks frequently brought colleagues together to share lived experiences or learn about different inclusion topics through events and communications.
- In 2024 we launched a Wellbeing strategy and framework. Wellbeing support is provided to our employees throughout the year. As part of the wellbeing strategy, we are raising awareness of the support available through regular monthly wellbeing topics.
- The Company operates a robust pay and grading framework, based on a recognised job evaluation methodology. Within this framework, we conduct annual benchmarking to ensure that terms and conditions of employment and employee total reward packages are aligned to the external market.

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 service level agreements or agreed 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 Aegon Ltd Executive Committee and regularly engages with Aegon Ltd 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. This is explained more fully above with examples of the effect of the consideration of such factors on some key decisions taken by the Company during the year.

