Aegon UK plc

Corporate Governance Disclosures

This statement presents corporate governance disclosures included in the annual report for Aegon UK plc Group (the Group) and Aegon UK plc (the Company) for the year ended 31 December 2022. The Companies (Miscellaneous Reporting) Regulations 2018 requires these disclosures to be included in the statutory accounts of Aegon UK plc and published on the Group's website. This document is prepared based on the annual report disclosure and published on the Group'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 Group meets 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.

Corporate governance arrangements

The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860) include mandatory reporting on corporate governance for certain large private companies. Scottish Equitable plc, a subsidiary of Aegon UK plc, meets the definition of a large private company and therefore disclosures for the Group have been disclosed. Under section 26(2) of these Regulations, the Group can choose not to apply a corporate governance code, explain the reasons for that decision, and explain what arrangements for corporate governance were applied. The Group's corporate governance framework is based upon the UK Corporate Governance Code and the Dutch Corporate Governance Code but the Group has not formally applied any corporate governance code. This approach primarily reflects the fact that Scottish Equitable plc is a wholly owned subsidiary of Aegon N.V., a global organisation that includes detailed disclosures in its own annual report on corporate governance arrangements.

The Aegon UK Group has a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the group that includes the following arrangements:

- a clearly stated corporate organisational structure, and written terms of reference for the Board and its Committees, with appropriate delegated authorities;
- an Aegon UK Group Audit Committee, the members of which are Non-executive Directors, which oversees internal control and financial reporting matters;
- a Board Risk and Capital Committee, the members of which are Non-executive Directors, which oversees risk and capital matters;
- two governance forums, Scottish Equitable Policyholders' Trust (SEPT) in relation to with-profits and the Independent Governance Committee in relation to the value for money of workplace pensions;
- a Risk Management function providing a second line of defence, independent of business operations and with responsibility for monitoring and reporting of risk;
- a Regulatory Risk team, which is part of the second line of defence, with responsibility for managing the relationship with key regulators, contributing to strategic change, establishing and maintaining the financial crime framework and monitoring and reporting on compliance with regulations,
- a forward-looking Regulatory Development Group that identifies and mitigates risks from future political and regulatory change; and
- an Internal Audit function which provides independent, objective assurance over the complete control framework reporting to the Chair of the Aegon UK Group Audit Committee and with direct access to all Executive members, including the Chief Executive Officer.

Section 172(1) Companies Act 2006 Statement

Section 172 (1) states that: "A director of a company must act 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 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.

The Company acts as a direct or indirect investment holding company for financial services businesses within the Group. Aegon UK Corporate Services Limited (AUKCS), a subsidiary of the Company, provides services to the Company and the other companies in the Group including employing those personnel who provide services to the Company.

The Directors have put in place suitable processes so that all relevant matters are factored into the Board's decision making. These are part of the corporate governance framework as described above. They also include, for example, the requirement that all papers prepared for the Board following a template which requires the paper author to set out, amongst other things, the key matters, points for discussion, stakeholder implications (stakeholder implications covering, the Group'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 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 2022 included training on the requirements of the new Operational Resilience regulations, IFRS 17 and the proposed reforms to Solvency II including training on aspects such as aggregation, diversification, proxy models and validations. 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 FCA Consumer Duty regulations come into effect in July 2023 and the Board has received a number of training sessions on the implications of this and what action the Group is taking to comply with the duty.

The approach described above assisted the Directors with their consideration of the operational resilience arrangements put in place by the business in order to prevent, adapt and respond to, recover and learn from operational disruption. The Board received a number of papers and presentations on the operational planning and the content of the Self-Assessment required by the Financial Conduct Authority (FCA) in respect of certain of the Group companies. 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 Group of the operational resilience regulations, for example, helping to inform investment decisions and reducing the number of incidents.
- In terms of the impact of the operational resilience arrangements on the interests of employees, the Board considered the positive impact on employees as a result of the long-term viability of the business.
- The impact on the Group's customers and advisers was also considered as part of the operational resilience planning, is to build resilience within the Group so that it does not cause intolerable harm to customers.
- The impact on the shareholder of the Group and the ultimate beneficial owner of the Group, Aegon N.V., was also considered. The Board noted that the shareholder will benefit from the

competitive advantage and enhanced reputation that compliance with the operational resilience requirements will provide.

- The impact on suppliers to the Group was appropriately considered by the Board as the operational resilience arrangements involved the Group’s entire end to end process and involved suppliers and other business partners.
- The impact of the operational resilience requirements on the community and the environment was appropriately considered by the Board. The operational resilience arrangements are closely linked to the Group’s strategic pillars, in particular to be a sustainable partner by embedding resilience throughout the Group.
- 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 Solvency II reforms proposed by the PRA. The Board received updates on the impact of the proposed reforms, including the potential reduction in the amount of capital required to be held by Scottish Equitable plc. 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 benefit of the potential reduction in the amount of capital required to be held by the Company and the Group.
- In terms of the impact on the interests of employees, the Board considered the potential for the reforms to spur a vibrant, innovative and competitive insurance industry which will create employment opportunities.
- The impact on the customers of the Group was appropriately considered by the Board as the proposed reforms are designed to maintain a high level of protection for customers and offer greater consumer choice.
- The Board noted the potential positive impact on the shareholder of the Group (and the Company) and the ultimate beneficial owner of the Group, Aegon N.V. as a result of the potential release of capital from the Group’s Balance Sheet.
- Throughout the year the Board provided input to the Group’s interactions with the PRA on their proposals on Solvency II reforms.
- The commercial impact on the Group’s suppliers was considered by the Board. The proposed reforms are designed to ensure the long-term safety and soundness of the UK insurance industry, thereby benefitting the Group’s suppliers who can be assured as far as possible of the Group’s ability to continue to be a provider of long-term insurance products.
- The impact on the community and the environment was appropriately considered by the Board as the proposed reforms may enable the Company and the Group to invest in long-term UK infrastructure and green projects.

- The Board was concerned to maintain and protect its reputation for high standards of business conduct and the proposed reforms will help ensure the long-term safety and soundness of the Company and the Group.

For more information regarding the Board's consideration of:

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

Statement on engagement with employees and other stakeholders

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) include a requirement for companies above a certain size to include information about engagement with employees, suppliers, customers and other stakeholders.

The Company acts as a direct or indirect investment holding company for financial services businesses within the Group. Aegon UK Corporate Services Limited (AUKCS), a subsidiary of the Company, provides services to the Company and the other companies in the Group including employing those personnel who provide services to the Company.

It is Aegon's policy to ensure equal opportunities for all employees of the 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 Group. 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 Board's non-executive Directors has taken on the role of strengthening the Board's engagement with employees.

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

- Numerous Inclusion & Diversity events and initiatives have been supported using technology throughout 2022. Several of our Executive have personal roles within our Inclusion & Diversity Programme.
- Wellbeing support provided to our employees throughout the year to support a gradual return to the office by utilising a hybrid working arrangement to enable employees to divide their working week between being office based and working from home. Financial support to help certain employees with the cost of living pressures was also provided.
- The Group 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 positioned at competitive levels.
- The Group 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 Group share updates regarding key topics such as the financial results, strategy development and business performance. In addition, the Group holds an annual event for employees that covers progress over the year and objectives for the following year. This is hosted by the Executive of the Group and as well as cascading information is an opportunity for any individual to ask questions of the Executive.
- In respect of engagement with suppliers, the Directors regularly review Management Information on the Group's relationships with key 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 Group 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 Group's largest operating subsidiaries use customer and adviser panels to regularly engage with customers and obtain their feedback on the products and services it offers. These are used, amongst other things, to help shape proposition developments.

In respect of engagement with regulators, Scottish Equitable plc is required to comply with rules and guidance issued by the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA), which include high level standards covering Principles for Business and Senior Management Arrangements, Systems and Controls and requirements for the way the firm conducts its business. Cofunds Limited, Aegon Investment Solutions Limited and Aegon Investments Limited are required to comply with the Financial Conduct Authority (FCA)'s Investment Firm Prudential Regime (IFPR).

Origen Financial Services Limited is an Article 3 MiFID exempt firm and is only within scope of the IFPR by virtue of its membership on Aegon UK Investment Group (AUKIG) and not on a solo basis.

In respect of engagement with shareholders, the Board has a shareholder representative on it and receives at each meeting an update from Aegon N.V.. In addition, 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 Group. 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 Group'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 Group during the year.