Pillar 3 Disclosures

December 2019



For today's investor

AVIVA INVESTORS

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Section 1

Introduction

Section 1

Introduction

1.1 Overview

1.1.1 Purpose

The Capital Requirements Directive IV ("CRD IV") is the framework for implementing international capital adequacy standards in the European Union ("EU"); and consists of three pillars:

- Pillar 1 sets the minimum capital requirements that regulated entities are required to meet for credit, market and operational risk, as determined by the local regulator;
- Pillar 2 requires regulated entities and their supervisors to assess whether additional capital should be held against risks not covered in Pillar 1; and
- Pillar 3 seeks to improve market discipline by requiring regulated entities to disclose certain information on their risks, risk management and capital.

Aviva Investors FCA consolidation group (hereafter referred to as "UK Regulatory Group") is categorised as a significant Prudential Sourcebook for Investment Firms ("IFPRU") Group and is subject to prudential oversight by the regulators of the countries in which it operates. The United Kingdom's Regulator – the Financial Conduct Authority ("FCA") – implements the Pillar 3 requirements in the UK by way of Part Eight of the Capital Requirements Regulation ("CRR"). In summary, the regulations require Aviva Investors to consider the following:

- The alignment of Aviva Investors business strategy, plan, forecasts, Risk Appetite Statement ("RAS"), risks and monitoring measurements.
- The identification, definition, exposure and measurement of its key risks and controls to mitigate those risks.
- The capital adequacy assessment process to assess each material risk and determine the appropriate capital requirements.
- The integration of the Internal Capital Adequacy Assessment Process ("ICAAP") into the Aviva Investors Risk Management Framework ("RMF") processes.
- The resilience of the financial position by stressing the financial projections with a number of Stress and Scenario Testing ("SST") which reflect the current and future risks of Aviva Investors.

1.1.2 Basis of disclosures

These disclosures are made in accordance with the requirements of Articles 431 to 455 of the CRR. Specifically, these disclosures include Aviva Investors' risk management framework and policies which include the strategies, culture, processes, governance arrangements, tools and reporting procedures necessary to manage its current and future risk profiles.

1.1.3 Frequency of disclosures

These disclosures are produced on an annual basis as a minimum and more frequently, if appropriate. Aviva Investors has a financial reporting date of 31 December and these disclosures reflect the position at 31 December 2019.

1.1.4 Verification, media and location

These disclosures are produced solely for the purposes of satisfying the Pillar 3 requirements, to explain the basis of preparation, disclosure of certain capital requirements and to provide information about the management of certain risks. The disclosures are not subject to audit nor do they constitute any form of audited financial statements.

Aviva Investors Holdings Limited ("AIHL") and its subsidiaries collectively referred to as the "Aviva Investors Group", are responsible for the system of internal control and for reviewing its effectiveness. Such a system can provide reasonable but not absolute assurance against material financial misstatement or loss, conduct and reputational impacts and is designed to mitigate, not eliminate, risk.

The Aviva Investors Pillar 3 disclosures have been prepared and reviewed in accordance with the Aviva Investors Pillar 3 disclosure policy approved by the AIHL Board on 14 April 2020. Management consider that disclosures as set out in this document adequately convey the risk profile of Aviva Investors.

These disclosures are published on the Aviva Investors corporate website (www.avivainvestors.com).

1.2 Scope

1.2.1 Basis of consolidation

In accordance with the exemptions available under International Accounting Standard (“IAS”) 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006, Aviva Investors Holdings Limited ("AIHL") does not publish its own consolidated accounts as the Aviva Investors group is consolidated into the accounts of its ultimate parent company, Aviva plc, which are published on the Aviva corporate website (www.aviva.com). Internal Aviva Investors group consolidated management accounts, prepared in accordance with International Financial Reporting Standards (“IFRS”), include a consolidation of its subsidiaries, joint ventures and relevant proportions of undertakings by virtue of a Banking Consolidation Directive Article 134 relationship. An Article 134 relationship is a relationship where significant influence is exercised over another company, but without holding a participation or other capital ties in the company and without being a parent undertaking of the company.

All undertakings - meeting the requirements of Article 134 - that form part of the Aviva Investors Group consolidated accounts are ultimately held by Aviva plc. For the purposes of regulatory reporting, and as required by the FCA, Aviva Investors France SA, Aviva Investors France Real Estate SA and Aviva Investors France Real Estate SGP, which are included in consolidated internal reporting under an Article 134 relationship as defined by the FCA are excluded from the UK Regulatory Group.

Within the UK Regulatory Group, the following entities are regulated by the FCA and are consolidated for regulatory reporting purposes using the aggregation method under the FCA rules for investment firms:

- Aviva Investors Global Services Limited ("AIGSL"), a significant IFPRU firm – Limited Licence €125k;
- Aviva Investors UK Fund Services Limited ("AIUKFSL"), an IPRU-INV collective portfolio management firm;

The following overseas entities are regulated by local regulatory authorities in their jurisdiction of incorporation and are consolidated using the aggregation method:

- Aviva Investors Luxembourg SA;
- Aviva Investors Asia Pte Ltd;
- Aviva Investors Pacific Pty Limited;
- Aviva Investors Americas LLC;
- Aviva Investors Jersey Unit Trusts Management Limited and
- Aviva Investors Canada Inc.

The following entities were liquidated in 2019:

- Aviva Investors UK Funds Limited ("AIUKFL) an IFPRU firm – Limited Licence €125k (liquidated 18 June 2019); and
- Friends Life Funds Limited ("FLFL") an IPRU-INV collective portfolio management firm (liquidated 13 September 2019).

The UK Regulatory Group fully consolidated the following entity with a minority interest:

- Aviva Investors Poland TFI (Aviva Investors has 51% ownership).

The following investment was not consolidated:

- Aviva Investors Pensions Limited (“AIPL”);

AIPL is an “insurance undertaking” and is therefore not an institution or a financial institution and falls under Solvency II regulatory regime, as defined by European Insurance and Occupational Pensions Authority ("EIOPA"). Consequently, AIPL is excluded from the consolidation, but reflected as an investment in subsidiary.

There are other unregulated and dormant entities in the Aviva Investors Group which are not included in the list above but are consolidated for regulatory reporting purposes. A full list of Aviva Investors entities is included in the Aviva plc Annual Report 2019 available at www.aviva.com

1.2.2 Transfer of capital resources

There is no current or foreseen material, practical or legal impediment to the prompt transfer of capital resources from AIHL, the Aviva Investors group parent undertaking, to its subsidiary undertakings.





Section 2

Governance structure and key responsibilities

Section 2

Governance structure and key responsibilities

2.1 Boards and Committees

2.1.1 Aviva plc Board

Aviva Investors forms part of the the Aviva plc group of companies as reported in the Aviva plc Annual Report and accounts 2019 ("Aviva Group"), headed by Aviva plc. The Aviva plc Board is responsible for determining the overall Group risk appetite, which is an expression of the risk that Aviva Group is willing to take. Risk appetite is set relative to capital, liquidity and franchise value at group and individual entity level. The Group's position against risk appetite is monitored and reported to the Aviva plc Board on a regular basis.

The respective knowledge, skills and experience of the members of the Aviva plc Board are provided in the Aviva plc Annual Report and Accounts. The approach to diversity with regard to the selection of members of the Aviva plc Board, its objectives and targets, and the extent to which these targets have been achieved, are also provided in the Aviva plc Annual Report and Accounts, which are available at www.aviva.com. The Aviva plc Board's Diversity and Inclusion statement, which is in line with the overall Aviva Group Diversity and Inclusion strategy, is available at https://www.aviva.com/content/dam/aviva-corporate/documents/companysecretarial/pdfs/Aviva_Board_Diversity_Statement.pdf.

2.1.2 Aviva Investors

AIHL is the immediate parent of AIGSL & AIUKFSL and heads up the regulatory group of these entities. As such, the AIHL Board exercises oversight (directly or through its Risk, Audit, Remuneration or Nomination committees (the "Board Committees")) over the operation of these subsidiaries. This oversight includes monitoring the Aviva Investors risk and control environment. AIGSL & AIUKFSL are specifically included within the scope of the Board Committees. The Directors of AIHL, AIGSL and AIUKFSL are all senior managers under FCA Senior Manger & Certification Regime ("SMCR") in respect of each entity.

AIHL Board

The AIHL Board of directors ("AIHL Board") is responsible for organising and directing the affairs of Aviva Investors in a manner that is most likely to promote the success of Aviva Investors for the benefit of its shareholder and in a manner that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice. The AIHL Board membership is subject to the approval of its shareholder and the UK regulator; and comprises executive and non-executive directors.

Directors and management of Aviva Investors are committed to maintaining a strong risk, control and compliance culture throughout the organisation.

This is achieved through a governance structure consisting of three core elements: boards, board committees and personal committees; three lines of defence, policies, processes and controls; and roles and accountabilities. Board members have specific responsibility to review and monitor the current and future risks of Aviva Investors.

The Board is responsible for reviewing and setting policies and procedures for the business lines within Aviva Investors. The Board committees are established to assist and support the Board to manage key strategic matters; review business activity and risks; and provide support where needed.

Board Committees

The AIHL Board delegates certain of its duties to the board committees as described below. The AIHL Board, together with these committees, provides oversight and challenge of global strategic, financial, reputational, conduct and control aspects of the Aviva Investors business. Matters may also be escalated by the business to these committees or the AIHL Board. All board committees are chaired by non-executive directors.

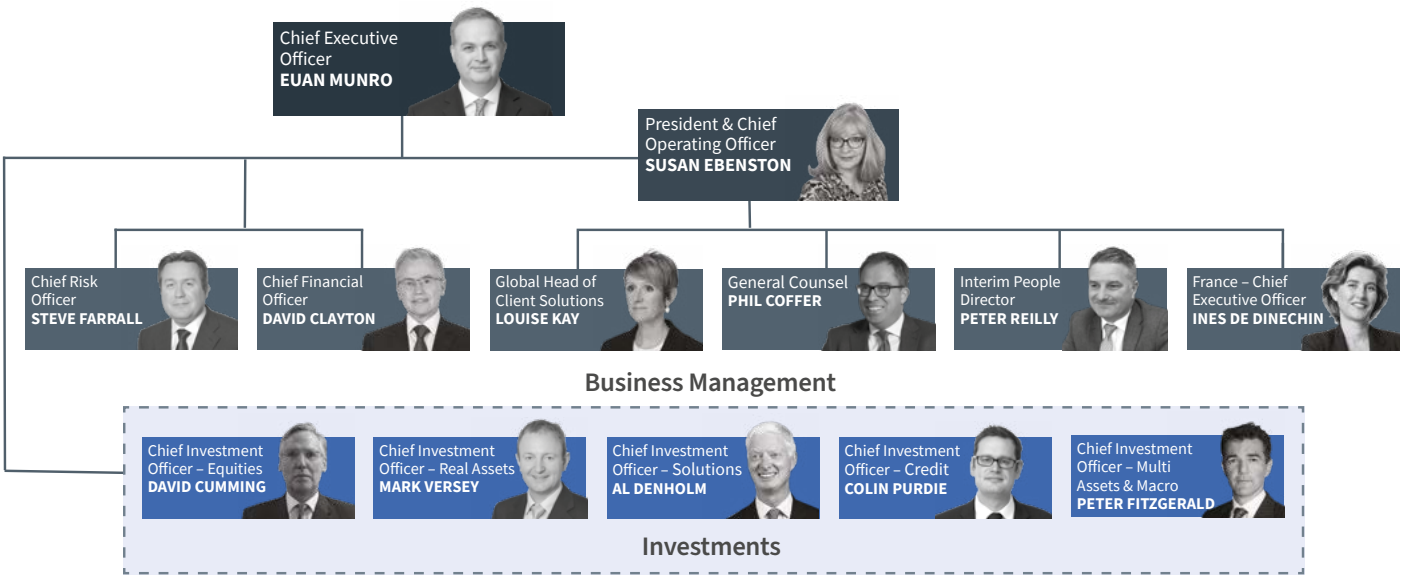
- **The Aviva Investors Audit Committee** ('Audit Committee') works closely with the Aviva Investors Risk Committee and is responsible for monitoring the integrity of financial statements and the effectiveness of systems of internal control, and for monitoring the effectiveness, performance, independence and objectivity of the internal and the external auditors.

- **The Aviva Investors Risk Committee** ('Risk Committee') assists the Board in the oversight of risk (including conduct, regulatory, compliance and legal risk) by reviewing the effectiveness of the risk management framework, risk appetite and profile, methodology and calculations used in determining capital requirements and stress and scenario testing results, ensuring due diligence appraisals are carried out on strategic or significant transactions; and monitoring regulatory requirements.
- **The Aviva Investors Nomination Committee** ('Nomination Committee') monitors the balance of skills, knowledge, experience and diversity on boards of directors and recommends appointments to the boards of AIHL, AIGSL (for CRD IV purposes) and the other main operating and regulated entities throughout Aviva Investors.
- **The Aviva Investors Remuneration Committee** ('Remuneration Committee') supports and advises the AIHL Board on the overall remuneration policy for Aviva Investors and the employment, remuneration, reward and benefits terms for Aviva Investors' senior management and material employees, including Code Staff and identified staff; and reviews and makes recommendations on remuneration matters to the Aviva plc Group Remuneration Committee and the AIHL Board for approval.

Personal Committees

The AIHL Board has delegated authority to the Aviva Investors Chief Executive Officer ("CEO") for the executive management of the business. The CEO is provided with support and advice by a personal Executive Committee comprising all the members of the Executive team. Sub-committees (referred to as personal committees) are formed of Executive Committee members to deliver focused governance outcomes, such as investments, finance, people, risk, client, product and operations.

Aviva Investors Executive Committee*



* As at 31 December 2019

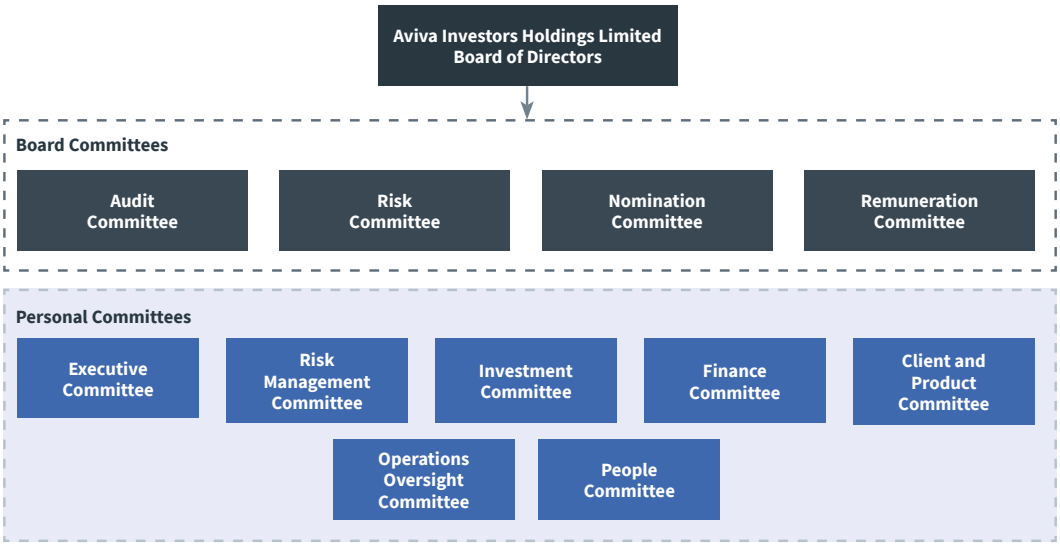
Section 2

Governance structure and key responsibilities Continued

In addition to the Executive Committee, the other personal committees are:

- **Risk Management Committee** (chaired by the Chief Risk Officer ("CRO")) considers the key conduct, credit, investment, operational, compliance, financial crime and emerging risks of Aviva Investors.
- **Investment Committee** (chaired by the CEO) oversees investment management activities and material changes to the investment strategies or house view.
- **Finance Committee** (chaired by the Chief Financial Officer ("CFO")) oversees the financial performance and actions to deliver against strategy. Performs a quarterly review of balance sheet and capital provision management.
- **Client and Product Committee** (chaired by Global Head of Global Client Solutions ("GCS")) reviews client retention, sales pipeline and associated actions, as well as product management activities.
- **Operations Oversight Committee** (chaired by the President and Chief Operating Officer ("COO")) oversees operational volumes, performance and efficiency. Monitors Client Assets Sourcebook ("CASS"), pricing and valuation consistency.
- **People Committee** (chaired by People Director) reviews people agenda, drive continuous culture improvement, analyse and monitor conduct rule breaches under SMCR.

Governance Structure



Note: The Capital Committee referenced in this document is a sub-committee of the Finance Committee.

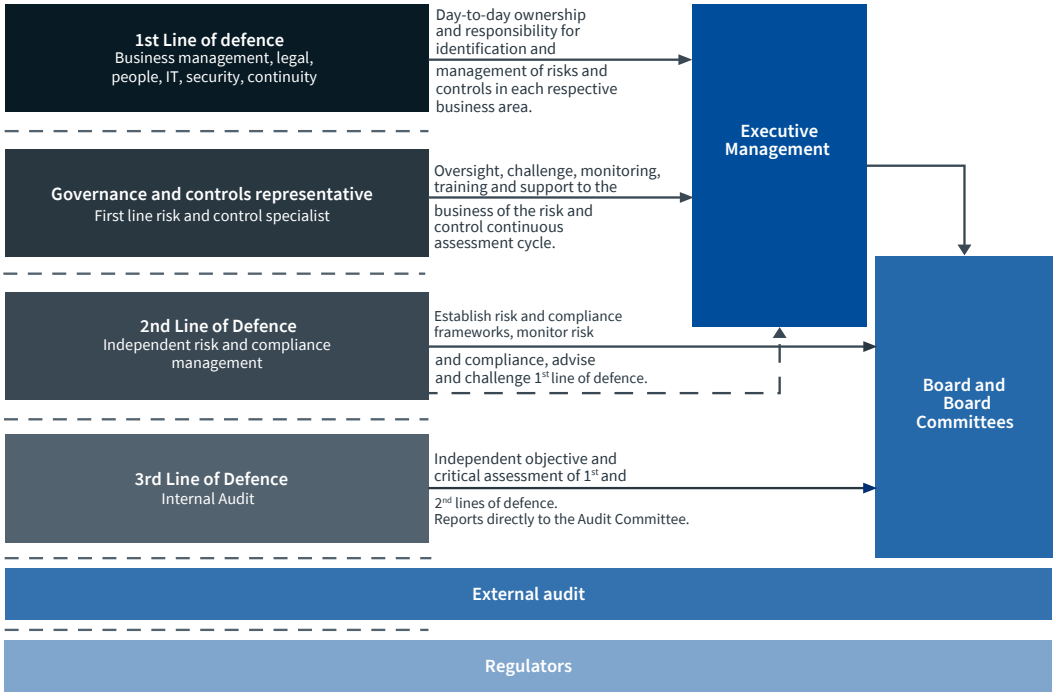
2.2 Three lines of defence

Aviva Investors manages its risks based on the "three lines of defence" model: the first line of defence comprises business managers, information technology, legal, security and continuity teams who manage business risks on a daily basis; the second line of defence comprises the risk and compliance teams under the direction of the Aviva Investors CRO who advise and challenge the business on the management of its risks; and the third line of defence comprises of internal audit who assess and report on the effectiveness of controls.

All employees of the organisation are involved in the management and mitigation of risk at Aviva Investors.

As a result, Aviva Investors RMF is embedded in the day-to-day management and decision-making processes. There is active and demonstrable sponsorship and support from the board and executive management.

The roles of the three lines of defence outlined below each contribute to embedded risk management. Role profiles, agreed objectives and delegated authority letters - where appropriate - are in place defining each relevant employee's risk management responsibilities. The requirement for a delegated authority letter is driven by local regulatory requirements and considered appropriate for the most senior roles within Aviva Investors where authority is given to bind the company financially.



2.2.1 First line of defence

Aviva Investors recognises the importance of clear and appropriate apportionment of significant responsibilities among directors and senior managers. This is achieved by having clear role profiles that record all employee accountabilities and are consistent with committee and delegated authority structures.

The first line of defence is responsible for future and current risk identification, measurement, management, monitoring and reporting ("IMMR") through the implementation and practice of risk management techniques described in the RMF.

Governance and control functions

Aviva Investors recognises the importance of oversight, monitoring, training and supporting the business in performing its risk and control management responsibilities. This is achieved by employing appropriate representatives to support the Executive Committee members and their nominees in the successful commencement and completion of the risk and control assessment cycle throughout the year.

The governance and control representatives should remain operationally independent from risk-taking activities that could compromise their independence and ability to challenge. If a member cannot remain operationally independent, appropriate mitigations are undertaken to reduce the independence and self-review threats to a reasonable level.

2.2.2 Second line of defence

The second line of defence consists of the Risk and Compliance Functions.

The Risk and Compliance Functions report directly to the Aviva Investors global CRO and are operationally independent from risk-taking activities and any other activities that could compromise their independence. A summary of activities is outlined below:

- **Risk** is responsible for the design, implementation and validation of the risk and control management frameworks, systems and economic capital models requiring regulatory approval. The Risk function reports to the CRO, Risk Management Committee, Risk Committee and AIHL Board on the overall risk profile of Aviva Investors.

  Material business decisions such as the development of new products or the purchase of new businesses require the support of the Risk function before proceeding which is summarised in the CRO opinion.

- **Global Compliance** is responsible for assessing, advising, monitoring and reporting on the firm's regulatory risk i.e. the risk that the firm fails to comply with its obligations under the applicable requirements and the standards set by the FCA and other relevant regulatory authorities.



Aviva Investors has a matrix structure with regional CROs reporting to the Aviva Investors Global CRO; the regional Compliance Officers report to the Chief Compliance Officer ("CCO").

Regional Risk teams are responsible for ensuring that the RMF is applied consistently across Aviva Investors' business globally. The local risk teams report to:

- The CRO Europe;
- The CRO Americas; and
- The CRO Asia Pacific.

2.2.3 Third line of defence

Aviva Investors Internal Audit ("IA") is part of the Aviva plc Group Audit function. It has a dedicated audit team who are specialised in fund management, led by an Audit Director who reports to the Chief Audit Officer of Aviva plc and the Aviva Investors' Audit Committee. Internal Audit's purpose is to help the Board and executive management to protect the assets, reputation and sustainability of Aviva Investors by providing independent and objective assurance designed to add value and improve Aviva Investors' operations. The team assists the business in achieving its objectives by exhibiting a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes.

In pursuit of this purpose IA undertakes, objectively and independently from management, to assess whether all significant risks are identified and appropriately reported by management and second line of defence (to Aviva Group and Aviva Investors Audit and Risk committees and executive management as appropriate); assessing whether they are adequately managed; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. The scope of IA assurance activities includes assessing and reporting on the effectiveness of the design and operation of the framework of controls and on the effectiveness of management actions to address any deficiencies within the framework of controls and risks that are out of tolerance. IA also investigates and reports on cases of suspected or alleged instances of internal and non-customer malpractice or financial crime.

IA is responsible for performing these functions efficiently and effectively, but it is not responsible for setting Aviva Investors' risk appetite or for the effectiveness of the framework of controls.



Aviva Investors is one of Europe's **largest managers** of real assets with £346 billion assets under management.



2.3. Culture and Conduct

2.3.1 Culture

The Boards and Executives of Aviva Investors seeks to embed a culture that ensures all employees act in the best interest of the clients by putting clients' interests ahead of their own and treating clients fairly.

Culture and conduct considerations are key to Aviva Investors' strategy and are embedded in all business processes. Aviva Investors has strategic themes to support growth, which are integrated around the client. These are called "diversified excellence", "operational simplicity" and "grow and protect".

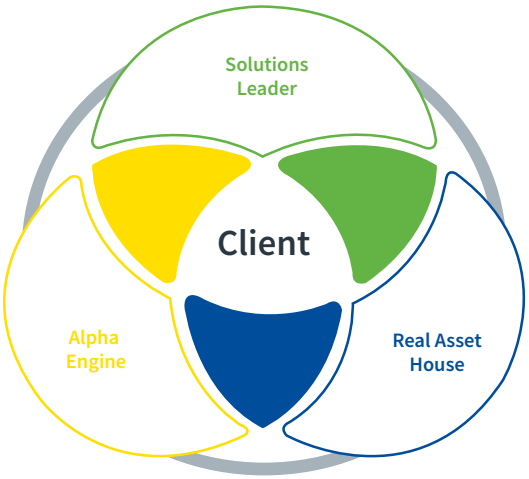
Diversified Excellence
The continued growth of outcome orientated products to assist clients seeking specific investment solutions across the alpha and real asset offerings.

Operational Simplicity
Initiatives to improve operational simplicity within Aviva Investors will benefit clients as well as reduce risk. Significant and continuous projects are in progress resulting in delivering improved client reporting and enhanced client experience.

Grow and Protect
Aviva Investors' presence continues to focus on the development, promotion and sale of products where there are client needs.



Frameworks, processes and controls are continuously reviewed, tested and improved to obtain assurance that Aviva Investors adheres to the conduct standards expected of a large participant in the asset management industry.



2.3.2 Conduct

Aviva Investors expects all employees to maintain the highest standards of personal and business conduct, market practice, integrity and ethics. Confidence in the integrity of Aviva Investors and its employees is key to establishing trust between the firm and its stakeholders, such as regulators, clients and business partners. Aviva Investors has embedded frameworks and policies that support timely identification, measurement, mitigation and improvement of conduct risk.

Conduct risk is the current or prospective risk that Aviva Investors (or any of its employees) fails to conduct the asset management business in an appropriate manner; thereby, compromising or harming stakeholders (e.g. clients, regulators, employees, parent company, market, etc.) and consequently negatively impacting sustainability and market integrity.

Management information is developed to rigorously and pervasively monitor conduct risk across the global business. Boards receive conduct risk analysis results from all three lines of defence teams highlighting issues identified for resolution.

Frameworks, processes and controls are continuously reviewed, tested and improved to obtain assurance that Aviva Investors adheres to the conduct standards expected of a large participant in the asset management industry.

Individual responsibilities for good conduct are reinforced in written role profiles clearly highlighting



conduct responsibilities (underpinned by SMCR requirements), recruitment, remuneration and reward frameworks; as well as annual conduct attestations and training activities. The key framework relating to personal conduct obligation is the Global Ethical Conduct Code.

2.3.3 Global Ethical Conduct Code and supporting policies

Aviva Investors' Global Ethical Conduct Code (referred to as the "Code") establishes the standards of ethical conduct expected from all employees including the highest standards of honesty and integrity to avoid even the perception of impropriety.

- The Code is underpinned by principles supported by policies describing how employees are required to adhere to the standards in the Code.

The primary policies are noted below:

- Global market conduct;
- Personal account dealing;
- Financial crime;
- Conflicts of interest;
- Gifts and hospitality; and
- Whistleblowing.

2.3.4 Recruitment and Reward

Aviva Investors has policies and procedures to hire the right people. These policies and procedures require prospective employees to be screened, prior to the commencement of employment with Aviva Investors. Enhanced checks are applied to senior employees, certified staff, including other roles with additional regulatory responsibilities and customer facing roles.

Aviva Investors' remuneration policies and practices are consistent with sound risk management and promotion of ethical behaviour and integrity. The policies and practices do not encourage excessive risk taking by employees and address behaviours that amount to wrongdoing, malpractice, misconduct, corruption or mismanagement within Aviva Investors. The policies and practices promote the alignment of the interest of employees with those of Aviva Investors' stakeholders (e.g. clients, parent company and regulators).



2.4 Risk, Compliance and Control Environment

AIHL seeks to optimise its asset management business' performance subject to remaining within risk appetite and meeting the expectations of stakeholders. This is achieved by embedding rigorous and consistent risk, compliance and control management across the asset management business; and responsibly investing available resources to optimise the balance between risks and returns.

The Risk Management Framework is approved by the AIHL Board annually in the fourth quarter of the calendar year on a forward-looking basis. The most recent approval occurred on 5 December 2019.

2.4.1 Frameworks

The risk, compliance, financial crime and control management frameworks are developed by second line. These include appropriate principles, strategies, policies, processes, governance arrangements, tools and reporting procedures used by all employees to IMMMR the current and future risk, compliance, financial crime and control profiles of the business.

All frameworks are aligned to each other and aim to drive consistency and control across the business. Second line provide procedures, training, advice and guidance to, and monitors, all employees on the appropriate embedding of such frameworks in their day-to-day management activities.

All frameworks incorporate the Aviva Group Enterprise frameworks which are adapted to the needs and requirements of the asset management business.

2.4.2 Aviva Investors Risk Register

The purpose of the Aviva Investors Risk Register ("AIRR") is to provide a common basis to IMMMR all risks across the business. The AIRR developed contains 3 registers (cause, event and effect registers that are complementary registers to each other).

1. **Causal register**

The causal register provides a common basis to analyse the root cause(s) of weaknesses identified across the business. The causal register is divided into 4 level 1 categories, namely: people, process, internal systems and external factors which are further divided into granular causal categories (level 2).

2. **Event register**

The event register provides a common basis to classify and group residual risk exposures and consists of the following:

- IFPRU 2.2.7 regulatory risk categories (level 1);
- Operational risk, which is further divided into the 7 Basel II risk event categories together with the other regulatory risk categories that have been divided into risk event categories internally developed by the business (level 2);
- The risk event categories are further divided into granular categories aligned to the individual business activities across the business (levels 3 and 4).

3. **Effect register**

Effect type register provides a common basis to assess the effect that each event – if crystallised – could have on the business (financial, misstatement, conduct and reputational impacts).

The AIRR is used to aggregate the individual risk exposures of the business which enables the CRO to report the overall risk profile to the AIHL Board and Aviva Group.

2.4.3 Risk appetite statement

The AIHL Board owns the RAS which articulates how all risk categories are defined, assessed and monitored in line with the business strategy, plan, forecast and Aviva Investors' current capital position. The RAS forms part of the risk management process. Its purpose is to articulate the risk appetite of the AIHL Board in providing asset management services and products by outlining:

- The definition of each risk category and how this is interpreted as exposure facing the business.
- Reconciliation between the risk categories assessed in the RAS and AIRR.
- The appetite for each of these risks in delivering the business plan.
- The rationales developed to determine the appropriate risk appetites for each risk category.
- The approach used (both leading, lagging, quantitative and qualitative) by the business to IMMMR the actual risk exposures compared to risk appetites.
- The approach taken in the event that the measurements indicate a risk appetite is about to be breached as well as action taken to address risk appetites which have been breached.
- The qualitative statements used to define the culture and behaviour of Aviva Investors.

The RAS expresses Aviva Investors' appetite for the range of risks facing the business both qualitatively and quantitatively. As the business evolves, so the risk appetite may change. Consequently, the statement is reviewed at least annually by the AIHL Board of which iterations require formal approval.

2.4.4 Risk tolerances and aggregation

The risk appetite in the RAS is translated into granular risk tolerances and mapped against the granular risk exposures managed in the business. The risk tolerances are approved at least annually or with every significant business change by the AIHL Board.

The approved risk tolerances are provided to the business to measure the residual risk exposures of the business against, in order to identify those risk exposures exceeding tolerance which require remediation.

The risk aggregation method implemented by Aviva Investors aggregates the risk exposures at its most granular level to its highest level (regulatory risk categories) which allows the AIHL Board to obtain a view of its overall risk profile.

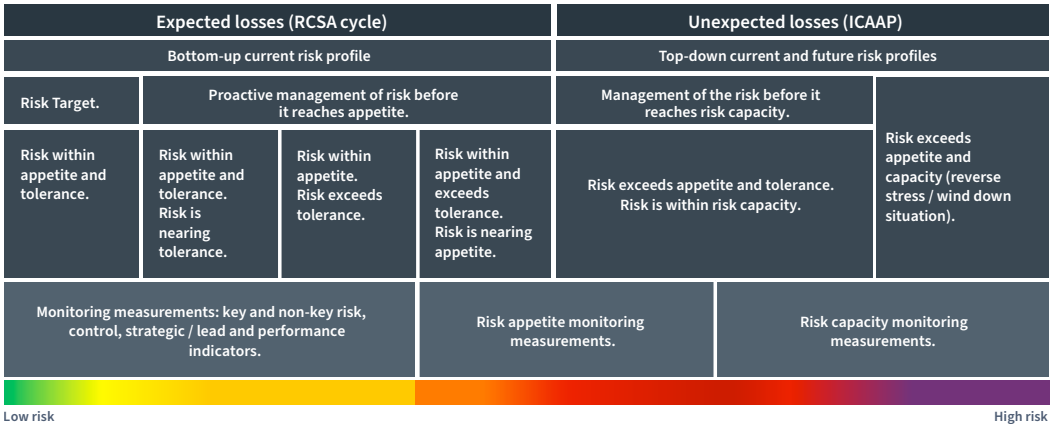
2.4.5 Approach

All risks – such as (but not limited to) operational, compliance, conduct, financial crime, legal and strategic – are included in these frameworks and grouped into two categories:

- Future risks are those risks to which Aviva Investors may be exposed to sometime in the future; and
- Current risks are those risks currently facing the business (both residual and inherent) whilst achieving its strategic objectives.

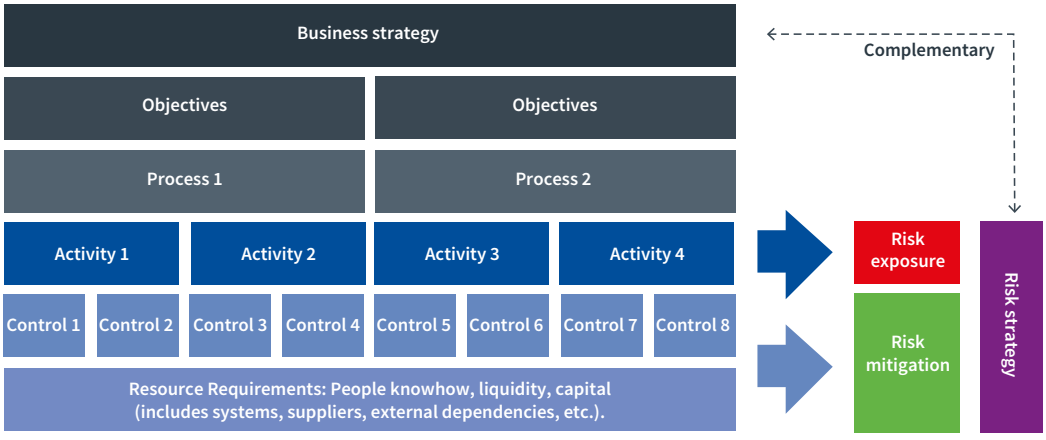
Both future and current risks are identified and assessed by senior management to determine the top down concerns of the business. Below is a risk continuum diagram presenting the different areas of risk management included in the IMMMR process ranging from granular risks (left-hand side of the diagram) to once-in-a-lifetime risks (right-hand side of the diagram).

Risk continuum



Complementary Relationship between Risk and Business Strategy

The business model has been split into process categories which includes objectives, activities and controls underpinned by the appropriate resources. The control activities are used to both achieve the business strategy and mitigate Aviva Investors' current and future risks to an acceptable level. The below diagram illustrates the complementary relationship between the business and risk strategy.

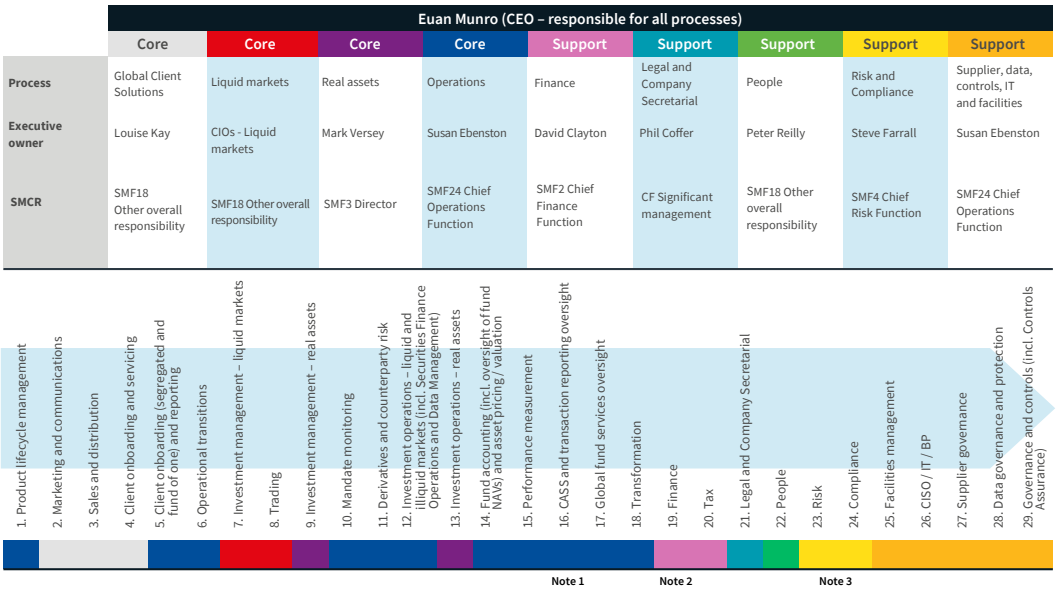


Section 2

Governance structure and key responsibilities Continued

Process Categories*

Process categories incorporating the business activities, control objectives and control activities are illustrated in the diagram below that are incorporated into our risk management system iCare.



* As at 31 December 2019

Note 1 – CASS and Transaction reporting oversight.
- SMF18 – CASS oversight.
- PR4 – Responsibility for compliance with CASS.

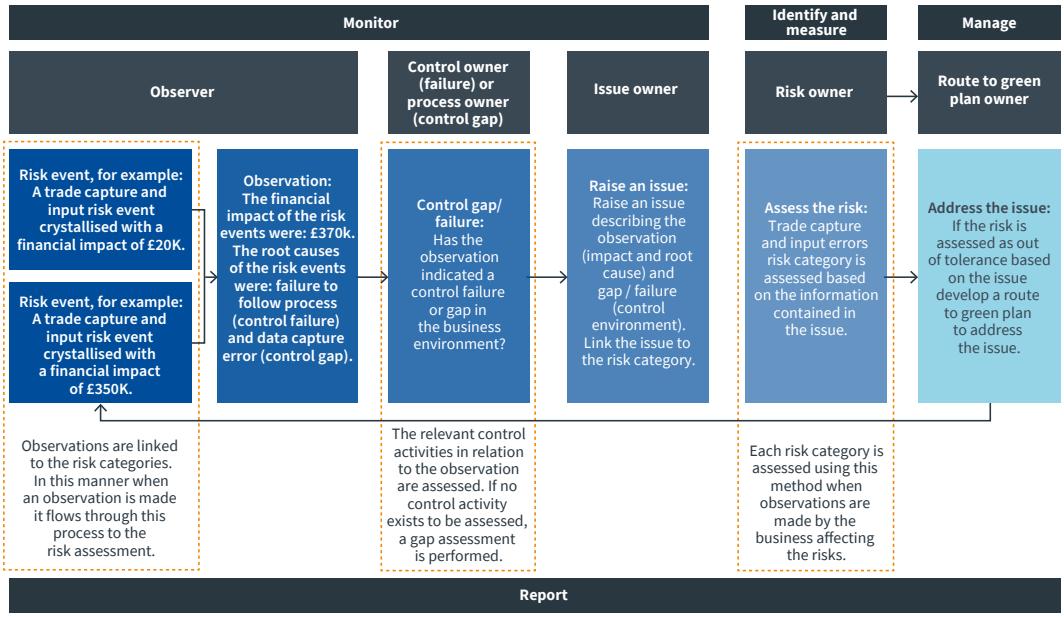
Note 2 – Finance.
- PR13 – Managing the firm's internal stress testing and ensuring the accuracy and timeliness of the information provided to the FCA for the purposes of stress testing.

Note 3 – Risk and Compliance.
- SMF16 – Compliance oversight.
- SMF17 – Money Laundering Reporting Officer.
- PR4 – Responsibility for firm's policies and procedures for countering the risk that the firm might be used to further financial crime.



Identify, Measure, Manage, Monitor and Report

The IMMMR process – as illustrated by the diagram below – revolves around the setup of the business model and its relationships between processes, controls and risks.



Observer (monitor)

Observations are methods used by Aviva Investors, auditors, advisors, employees, consultants or any relevant party to observe the business model and identify weaknesses exposing the firm to risk or failure of achieving objectives. All observations identified as issues are mapped to the relevant current or future risks facing the business and to the objectives that Aviva Investors endeavours to achieve.

Observations are categorised into four groups:

- Risk events and near misses;
- Internal and external reviews;
- Tracking mechanisms (e.g. indicators); and
- Assurance and control testing.

Control and process owner (monitor)

Control and process owners require an intimate knowledge of the control environment and markets in which Aviva Investors operates as well as the relevant control activities' control objectives and risk exposures. The control (if a control failure) and process (if a control gap) owners assess the effectiveness of the control environment on a continuous basis using the observations made by the observer.

Issue owner (monitor)

If an observation results in a control failure or gap, the observer and control or process owner collaborates to raise an issue against the particular gap or failure. An appropriate issue owner is identified who is responsible for:

- Managing and monitoring the remediation of the issue;
- Gathering the necessary evidence to demonstrate adequate and appropriate remediation has been completed; and
- Closing the issue upon completion of the remediation.

Risk owner (identify and measure)

Risk owners equipped with an intimate knowledge of the business, the markets in which Aviva Investors operates, and its strategic and business objectives are responsible for identifying and measuring risks in response to the issues raised across the business. Risk identification and measurement is refreshed when changes in the environment occur.

A variety of risk measurement tools and processes are available to support risk identification and measurement depending on whether it is a current or future risk being assessed. Current risks use a likelihood and impact scale whereas future risks consider a proximity, impact and readiness scale. All risk assessments are performed on a forward-looking basis.

Both measurement scales allow the risk owner to identify the primary concerns of the business which are then prioritised for remediation.



Aviva Investors was awarded Trailblazing Company of the year 2019 at the Financial Adviser's Diversity in Finance Awards.

Route to Green Plans (manage)

Risk owners are responsible for deciding how risk exposures need to be managed which includes: acceptance, avoidance, transfer and remediation. For risks outside acceptable levels, remediation is selected in almost all instances. In some rare circumstances, risk acceptance, transfer or avoidance is selected. All risk management decisions are documented.

Remediation required for issues identified targets root causes. The issue owner reports on the progress of the remediation back to the risk owners on a continuous basis in order to early identify remediation which is not on track.

Risks outside acceptable levels requiring an acceptance, avoidance or transfer of the exposure undergo a robust governance process with second line in order to consider changes to the acceptable risk levels.

Risk reporting

Risk reporting encompasses the reporting of each of the four steps of risk management (identify, measure, manage and monitor) and is provided to senior management based on their risk profile needs, committee terms of reference, escalation requirements and decision-making responsibilities.

Risk reporting is developed to be clear, relevant, accurate and timely, highlighting and prioritising the primary concerns of the business. All decisions made are documented and monitored for execution across the business.

Internal capital adequacy assessment process (ICAAP)

The ICAAP is a process used to determine the appropriate minimum capital requirements to be held by Aviva Investors for severe, but plausible events. This process consists of several underlying activities which considers the information of the day-to-day current and future risk profiles (e.g. risks, controls, issues, etc.) to inform the internal capital adequacy assessment process.

In summary, the ICAAP includes the below three activities:

- The ICAAP identifies the amount of capital that needs to be held to ensure that the business can withstand the impact of a severe, yet plausible 1-in-200-year combination of its top-down current and future risks crystallising on a forward-looking basis.
- Operational risk scenario, stress testing and wind down plan workshops are conducted between the Risk Function, relevant Executives and Subject Matter Expert ("SME") to determine the appropriate scenarios to use in the ICAAP to assess and stress the capital position of Aviva Investors. Workshop participants are briefed using data from the business, such as the current and future risk profiles, internal / external events, internal audit open issues, monitoring measurement results and internal / external reviews performed.
- The ICAAP assesses the Aviva Investors' capital requirements. The scenarios and calculations generated are discussed in detail with the relevant Executives and updated for the feedback received. The entire ICAAP document is reviewed and challenged by the Executive Committee, Capital Committee, Risk Management Committee and Risk Committee; and approved by the AIHL Board.







Section 3

Capital Resources and Adequacy

Section
3

Capital Resources and Adequacy

Total Aviva Investors capital amounted to £452.6m at 31 December 2019, with CET1 capital being £427.6m and T2 capital being £25.0m

3.1 Capital Resources

Aviva Investors has a simple capital structure comprising Common Equity Tier 1 ("CET1") and Tier 2 ("T2") capital. CET1 capital is the highest-ranking form of capital and comprises ordinary share capital, share premium, retained profits and other reserves. Total Aviva Investors capital amounted to **£452.6m** at 31 December 2019, with CET1 capital being **£427.6m** and T2 capital being **£25.0m**. T2 capital consisted of subordinated loans received from AIHL's immediate parent, Aviva Group Holdings Limited ("AGHL").

At 31 December 2019 and throughout the year, Aviva Investors complied with the capital requirements as set by the FCA.

3.2 Capital Resource Requirements – Pillar 1

For the UK Regulatory Group (significant IFPRU Group) and individual Limited Licence IFPRU entities the capital resource requirement is calculated as the higher of:

- The base capital resources requirement;
- The sum of its credit risk and market risk capital requirements; and
- Fixed Overhead Requirement ("FOR")

For AIUKFSL (a collective portfolio management firm) the capital resource requirement is calculated as the higher of:

- The Funds Under Management (FUM") requirement (including the base capital resources requirement); and
- The FOR;

Plus either:

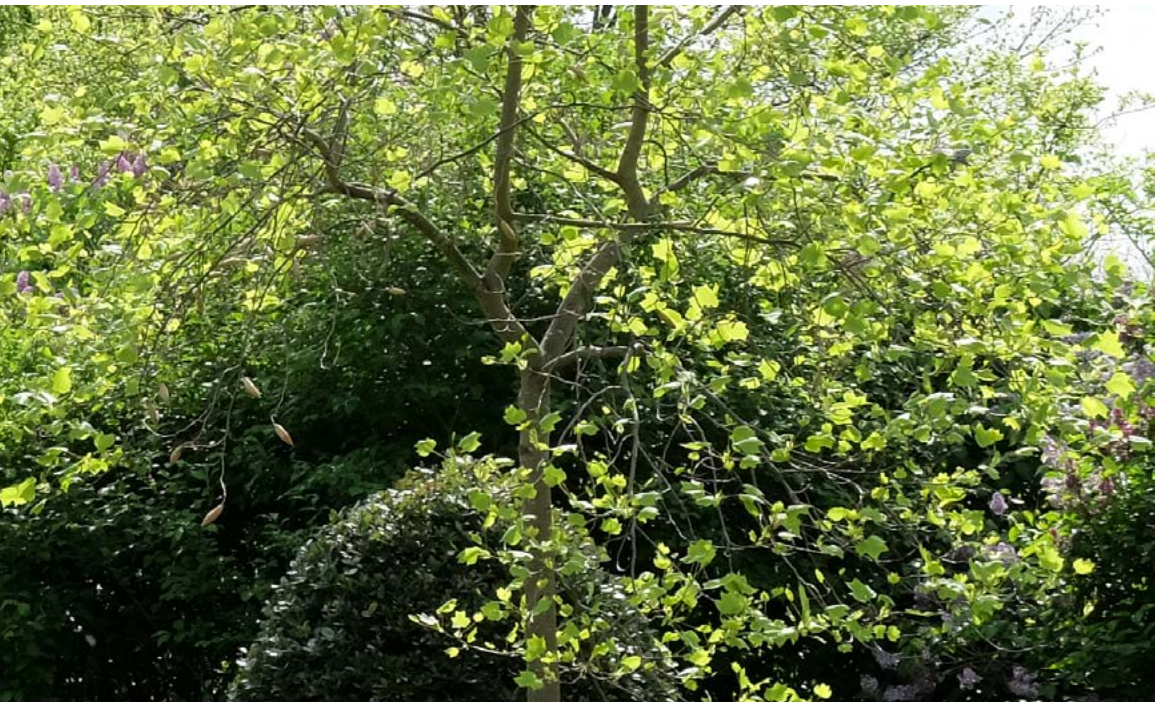
- The professional negligence capital requirement; or
- The professional indemnity insurance (excess) capital requirement.

Overseas regulated entities are following local capital requirements.



The Pillar 1 capital surplus for the UK Regulatory Group at 31 December 2019 is represented below:	
Bridge from Net Assets to CET1 Capital	**£'m**
Permanent share capital	248.0
Share premium account	41.6
Profit and loss and other reserves	163.5
Balance Sheet Net Assets (excluding MI)	**453.1**
Deductions:	
Intangible assets[1]	(10.3)
Unaudited Profits[2]	(15.2)
CET1 Capital After Deductions [A]	**427.6**
T2 Capital	
Subordinated Loans	**25.0**
Total Capital Resources [B]	**452.6**
Capital Resource Requirement	
Deduct the higher of the following:	
Credit and Market risk requirements[3]	(55.0)
Fixed Overhead Requirement [C]	**(81.7)**
Pillar 1 Surplus	**370.9**

	Required	Actual
Capital Ratios	**%**	**%**
CET1 Capital Ratio A/(12.5%*C)	4.5%	41.9%
Total Capital Ratio B/(12.5%*C)	8.0%	44.3%



1. Deductions have been made for capitalised project costs.
2. 2019 unaudited profit and the capital position aligns to Q4 2019 COREP submission and therefore may not align to the final audited UK Regulatory Group statutory financial statements.
3. The UK Regulatory Group is a limited license IFPRU Group and as such operational risk is not considered under Pillar 1, however, this is included in the Pillar 2 internal capital adequacy assessment.

Section 3

Capital Resources and Adequacy Continued

Included in the consolidated Aviva Investors Pillar 1 calculations shown in the preceding table are AIGSL, a Limited Licence Firm and AIUKFSL, a collective portfolio management firm. The stand-alone Pillar 1 calculations for these two entities are shown in the below table as follows:

£'m	AIGSL	AIUKFSL
Bridge from Net Assets to CET1 Capital		
Permanent Share Capital	207.1	21.5
Profit and loss and other reserves	63.9	13.2
Balance Sheet Net Assets	**271.0**	**34.7**
Deductions:		
Intangible Assets	(10.3)	-
Unaudited Profits[4]	(27.9)	(4.7)
CET1 Capital After Deductions [A]	**232.8**	**30.0**
T2 Capital		
Subordinated Loans	68.0	**-**
Total Capital Resources [B]	**300.8**	**30.0**
Capital Resource Requirements		
Deduct the higher of the following:		
Credit and Market Risk	(32.3)	N/A
Fixed Overhead Requirement	(66.4)	(4.7)
FUM Requirement	-	(8.5)
Plus:		
PII Requirement	-	(7.6)
Total Capital Resources Requirement [C]	**(66.4)**	**(16.1)**
Pillar 1 Surplus	**234.4**	**13.9**
Capital Ratios[5]	**%**	**%**
CET1 Capital Ratio A/(12.5%*C)	28.0%	N/A
Total Capital Ratio B/(12.5%*C)	36.2%	N/A

4. 2019 unaudited profit and the capital position aligns to Q4 2019 COREP submission and therefore may not align to the final audited AIGSL statutory financial statements.
5. The CET1 and Total Capital Ratios only apply to IFPRU firms (UK Regulatory Group and AIGSL).

3.3 Features, Terms and Conditions of Capital Instruments

3.3.1 CET1 Capital

CET1 Capital comprises of Permanent Share Capital (Ordinary Shares). All ordinary shares are fully paid up and rank equally with regard to voting rights and dividend entitlements declared, made or paid by the Company. All shares will also be entitled to a proportional share of the residual assets of the Company upon winding up.

Share Premium represents the excess amount received over the par value of shares.

Profit and loss and other reserves consist primarily of retained earnings. Other reserves consist of currency retranslation reserves reflecting the impact of exchange rate movements and a capital contribution reserve.

3.3.2 Tier 2 Capital

Tier 2 Capital comprises of Subordinated Loans of which the key features, terms and conditions are:

- Each loan is fully paid up;
- Claims on the principal amount of the subordinated loan is wholly subordinated to the claims of all non-subordinated creditors;
- The loans are neither secured, nor subject to a guarantee or any other arrangement that enhances the seniority of the claim by the borrower, any direct or indirect holding company or any undertaking that has close links with the borrower;
- Each loan has an original maturity of greater than five years;
- Provisions of the loans do not include any incentive for their principal amount to be redeemed or repaid prior to their maturity;
- Any early repayment option is exercisable at the sole discretion of the borrower; and
- The lender has no right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the borrower.

3.4 Prudential Filters and Deductions

No prudential filters, including those in respect of unrealised gains or losses on fair value assets, have been applied to capital resources in arriving at common reporting ("COREP") Own Funds.

Intangible asset deductions as set out in section 3.2 relate to capitalised internal project costs.

All appropriate items have been deducted in accordance with Articles 36, 47, 48, 66 and 79 of the CRR.

3.5 Capital Ratios

See the tables in 3.2 for details of the CET1 and Total Capital Ratios, which have been calculated for Full Year 2019 in accordance with amounts disclosed for the UK Regulatory Group and one IFPRU firm (AIGSL). All ratios were above the minimum required threshold of 4.5% (CET1 Ratio) and 8% (Total Capital Ratio) as set out in Article 92 of the CRR.

3.6 Analysis of Capital Requirements

3.6.1 Standardised Credit Risk Capital Requirements

Pillar 1 credit risk capital requirement calculations have been carried out in line with the CRR. Aviva Investors applies the standardised approach to calculating its credit risk capital requirement as set out in Part Three Title II of the CRR. The Pillar 1 capital requirement is calculated by applying a risk weighting to the balance sheet asset value and then applying an Own Funds Requirement percentage of 8% to the risk weighted asset.

Exposure class (£'m)	2019
Corporates	33.2
Units or shares in CIUs	7.5
Equity Exposures	2.4
Institutions	1.9
Retail	0.7
Other Items	5.0
Default	0.0
Total	**50.6**

As at 31 December 2019, Aviva Investors had not employed any of the credit risk mitigation techniques outlined in Part Three, Title II, Chapter 4 of CRR.

3.6.2 Counterparty Credit Risk

Aviva Investors does not have any exposures to over-the-counter ("OTC") derivatives and does not have a trading book, therefore faces no counterparty risk exposures outlined in Article 439 of the CRR at present.

3.6.3 Credit Risk Adjustments

Aviva Investors defines past due items for accounting purposes as any items not received within 90 days of the invoice date.

Crystallised and anticipated losses are provided for within the income statement as soon as their crystallisation is considered probable and the quantum can be reliably estimated.

No accounting offsets are present that would result in exposure values different from those outlined in section 3.6.1.

At Aviva Investors level there have been no material impairments to assets.

3.6.4 Geographical Analysis of Credit Risk Exposures

See below for a table outlining the geographic distribution of Aviva Investors risk weighted credit risk exposures at 31 December 2019:

Exposure class (£'m)	UK	UK Retail	Europe	Asia Pacific	North America	Total
Corporates	343.4	44.7	13.9	2.9	3.1	408.1
Unit or shares in CIUs	87.9	5.7	0.0	0.0	0.0	93.6
Equity Exposures	29.4	0.0	0.1	0.7	0.0	30.2
Institutions	1.9	17.4	4.8	2.5	2.7	29.8
Retail	0.0	8.4	0.0	0.0	0.0	8.4
Other Items	50.2	0.4	2.5	0.6	9.3	63.1
Default	0.0	0.0	0.0	0.0	0.0	0.0
Total	**512.7**	**76.6**	**21.3**	**6.8**	**15.2**	**633.1**

In respect of Article 442 (e) of the CRR and taking into account both proportionality and the fact that Aviva Investors is not a credit institution, exposures primarily relate to investments and trade receivables with highly rated corporate institutions (including other Aviva Group companies).

All exposures are due and payable within 90 days of invoicing. There are no material past due exposures which cause concern over recoverability.

3.6.5 Encumbered Assets

Aviva Investors does not hold any encumbered assets.

3.6.6 Use of External Credit Assessment Institutions

Aviva Investors calculates risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2 of the CRR. The External Credit Assessment Institutions ("ECAI") used by Aviva Investors are Standard & Poor's, Moody's and Fitch across all exposure classes. As per the Aviva Investors Global Counterparty Credit Policy, where counterparties have split ratings, the middle rating is used and if the counterparty has only two ratings, the lower will be used. The policy sets the minimum long-term credit rating as A-/A3 which is equivalent to an ECAI score of 2. The ECAI's credit assessment is used to determine the credit quality step of each exposure using the standardised mapping.

3.6.7 Market Risk

Aviva Investors follows a standardised approach to calculating the Pillar 1 market risk capital requirement and is calculated in line with Article 352 of CRR. Positions in each currency are netted to either a net long or net short position (other than the reporting currency) and converted at spot rates into GBP. The higher of either; sum of all long or sum of all short positions is the overall Foreign Exchange ("FX") exposure. The capital requirement is calculated as 8% of the overall net FX exposure. As at 31 December 2019, Aviva Investors has a market risk exposure amount of £54.75m and a Pillar 1 market risk capital requirement of £4.34m. This risk solely relates to foreign currency translation risk on assets and liabilities denominated in currencies other than GBP, as Aviva Investors does not operate a trading book.

Excessive leverage risk is the "current or prospective risk resulting from Aviva Investors' vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets."

Aviva Investors does not currently undertake any business activities on its own account that use leverage and the leverage ratio is therefore not applicable.

3.7 Other Exposures

3.7.1 Exposure in equities not included in the trading book

AIUKFSL, an IPRU-INV collective portfolio management firm, has OEIC box float units which are classified as equity exposures.

The box holdings are in a large number of funds across numerous asset types (property, equity, fixed income, multi-asset). Different asset classes are exposed to different risks. This has been included in Pillar 1 credit risk calculation and treated according to CRD IV/CRR rules and is not considered material for disclosure.

3.7.2 Exposure to interest rate risk on positions not included in the trading book

Aviva Investors has no Pillar 1 capital requirement for interest rate risk in the banking book ("IRRBB") and is not exposed to interest rate risk on positions not included in the trading book for regulatory capital purposes.

3.7.3 Exposure to securitisation risk

Securitisation risk is the "current or prospective risk of loss arising from exposure to inadequate capital resources held by Aviva Investors for assets which are securitised having regard to the economic substance of the transaction, including the degree of risk transfer achieved."

Aviva Investors does not participate in securitisation activities on its own account and, as a result, it is not necessary to hold capital against securitisation risk.

3.8 Capital Resource Requirements – New prudential regime for investment firms

The European Banking Authority ("EBA") and national competent authorities have been finalising the text of the Investment Firm Regulation (IFR) and Directive (IFD). The requirements contained in these texts represent a significant change in the prudential regime that Investment Firms are required to comply with. The final texts of the IFR and IFD were published in the Official Journal of the European Union on 5 December 2019. The new prudential regime aims to create a framework within which the capital, liquidity and other key prudential requirements and corresponding supervisory arrangements are sufficiently robust to capture the risks of investment firms in a prudentially sound manner. The scope of the new proposal covers all MiFID licensed investment firms excluding UCITS and AIFMs. Within the Aviva Investors UK Regulatory Group, the only entity in scope will be AIGSL, which is a MiFID investment firm. The new rules will come into force on 26 June 2021. AIGSL meets the criteria to be categorised as a Class 2 firm. An initial assessment has been conducted to calculate the potential impact on AIGSL's Pillar 1 capital requirement and it has been established that the capital requirement under IFR would not be materially different to AIGSL's FOR.




RESVRGAM



Section 4

Remuneration Code Disclosure

Section

4

Remuneration Code Disclosure

The purpose of this Disclosure is to provide information in relation to the remuneration policy and structures of Aviva Investors entities (being subsidiaries of Aviva Investors Holdings Limited) for staff whose professional activities have a material impact on the risk profile of those entities (referred to below as Code Staff[6]). Remuneration policy and structures are governed by a Remuneration Code[7] and are summarised in a Remuneration Policy Statement document. Each of the Aviva Investors entities have been classified as a proportionality Level 3 firm, which impacts the Code's application in relation to them.

4.1 Decision-making process for remuneration policy

The Aviva Investors Remuneration Committee is comprised of the Aviva Investors Independent Non-Executive Directors:

- Jeffrey Weingarten, Chair
- Mark White
- Alexa Coates

And one Non-Executive Director:

- Mike Craston

This Committee considers issues relating to the remuneration policy and structures for Aviva Investors including the terms of annual bonus and long-term incentive plans and individual remuneration packages for all employees to which the Remuneration Code applies. It is also responsible for reviewing and making recommendations on the Reward Policy Statements for Aviva Investors to the Aviva Group Remuneration Committee. Aviva Investors operates the Aviva Group Malus and Clawback Policy. In 2019, the Aviva Investors Remuneration Committee met on six occasions.

The Aviva Group Remuneration Committee approves the Remuneration Policy Statements for Aviva Investors. The Independent Non-Executive Directors of the Group Remuneration Committee are:

- Patricia Cross
- Michael Mire
- Claudia Arney
- Glyn Barker

The Aviva Group Remuneration Committee considers alignment between Group strategy and the remuneration of Directors, Code Staff and Material Risk Takers[8] within Aviva Investors. The remuneration policy provides a structure to deliver market competitive remuneration for all staff, including Code Staff to achieve both the annual business plan and the longer term strategic objectives of the Group. Significant levels of deferral aid retention and align the interests of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met. In 2019, the Aviva Group Remuneration Committee met on ten occasions.

The full objectives of the Aviva Group Remuneration Committee are documented in the Directors' remuneration report in the Aviva Annual Report which is included on the Investor Relations website, found here:

(http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/board-committees/remuneration-committee/)

4.2 External consultants

The Aviva Investors Remuneration Committee received independent advice on executive remuneration issues from Deloitte LLP which is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. No individual is involved in decisions relating to his or her own remuneration.

During the year the Aviva Group Remuneration Committee also received advice on executive remuneration matters from Deloitte LLP.

4.3 Role of the relevant stakeholders

The relevant Remuneration Committees take full account of the Company's strategic objectives in setting remuneration policy and are mindful of their duties to shareholders and other stakeholders. The Committees seek to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

6. See BIPRU 11.5.18
7. See FCA Handbook SYSC 19A
8. See FCA handbook SYSC 27.8.14

4.4 Code Staff criteria

In addition to applying the EBA Regulatory Technical standards, Aviva Investors consider further qualitative criteria for the purposes of Code Staff identification, these include individuals whose professional activities / who:

- Could have a material impact to the balance sheet of Aviva Investors;
- Could have a material impact to the revenue or net profit of Aviva Investors;
- Could have a material impact to the reputation of Aviva Investors;
- Manage Assets Under Management ("AUM") of £10bn or more (c3% of total firm assets) where investment risk is not rated as low;
- Manage retail funds with £5bn or over where investment risk is not rated as low; or
- Are heads of an investment desk;

The following groups of employees have been identified as meeting the criteria for Code Staff:

- – Legal Directors of UK Regulated Entities;
- – Members of AI Executive Committee;
- Significant Influence Functions at each UK Regulated Entity as outlined in the table below;

CF 3	Chief executive function
CF 4	Partner function
CF 8	Apportionment and oversight function
CF 10	Compliance oversight function
CF 10a	CASS operational oversight function
CF 11	Money laundering reporting function
CF 28	Systems and controls function
CF 29	Significant management function

Chairs of the Aviva Investors Board, Aviva Investors Remuneration Committee, Aviva Investors Risk Committee and Aviva Investors Audit Committee;

- General Counsel;
- Chief Risk Officer
- Internal Audit Director;
- People Director;
- Chief Operating Officer;
- Direct report of Chief Risk Officer, CF10, CF10a, CF11 and Internal Audit Director who would be considered deputy;
- Individuals identified as part of an additional qualitative assessment; or
- Individuals identified as part of a quantitative assessment.

The Code Staff population is reviewed at least annually by the Remuneration Committees and Code Staff are notified of their status.

4.5 The link between pay and performance for Code Staff

Aviva Investors' remuneration framework is based on a total reward approach and is designed to reflect the success or failure against a range of personal and company performance objectives.

There are four components of pay:

1. Basic Salary – set within an appropriate market range, which is sufficient to allow the possibility, where performance so warrants, that an employee may receive no variable pay.

2. Annual bonus – a discretionary short-term incentive plan where individuals may receive a bonus based on business and individual performance against targets. Where bonuses are equal to or greater than £75,000, a 3 year deferral with pro-rata vesting in Aviva funds and/or Aviva Group plc shares occurs, following this a further holding period applies where regulation requires.

   - The extent to which each aspect of performance affects the overall payment level depends on the role and responsibilities of the individual. Performance is measured against a combination of individual, business unit, Aviva Investors and Group performance over an appropriate period.
   - A rounded assessment of financial performance is made accounting for a range of financial considerations, including, but not limited to operating profit, investment performance and net flows. The assessment of Aviva Investors' financial performance is formed with reference to:
     - Actual results vs. prior period results
     - Actual results vs. agreed plans
     - Actual results relative to competitors
     - Actual results vs., and progress towards, our long-term target ambition.
   - The remuneration of employees in Control Functions (defined as Risk, Compliance and Audit) is determined independently of the financial results of Aviva Investors in order to reinforce the independence of these functions.
   - The non-financial considerations include consideration of risk, conduct, culture, customer and employee engagement metrics, with Aviva values clearly underpinning all our decisions. In certain roles, adherence to Responsible Investment and ESG principles will also be a consideration.
   - The Performance assessment does not encourage risk taking outside the Aviva Investors stated risk appetite and includes mechanisms by which performance against risk and conduct related measures has a significant impact on the availability and size of business and individual variable awards.

3. Long Term Incentive Awards (LTIA) – discretionary long-term incentive plan to align reward with long-term investment performance, Aviva Group and shareholder interests, and with the additional intention to help retain key talent. Awards for Identified Staff will be subject to a pre-vesting assessment of individual performance, behaviours and alignment with the company values of Aviva Investors throughout the three-year performance period.

   LTIAs include the following component parts:

   - An award in Aviva PLC Restricted Share Units with 3 year cliff vesting, creating alignment with the performance of Aviva PLC shares over the performance period.
   - An Award in Aviva Investors Funds with a 3 year cliff vesting (5 years for individuals in Alternative Investments), creating alignment with the performance of Aviva Investors funds over the performance period.

4. Benefits in Kind – standard benefits are provided that are appropriate to the market.

Aviva Investors believes in rewarding strong performance and achievement of our business and individual goals; however, the manner in which these goals are achieved is also important. We do not consider it appropriate to reward people who have engaged in inappropriate behaviour or conduct which is not in line with Aviva's values and variable pay awards are subject to the Aviva Group Malus and Clawback Policy. As such, Aviva may decide that a Deferred Award which has not vested will lapse wholly or in part if they consider that:

- The participant or their team has, in the opinion of the Directors, engaged in misconduct which ought to result in the complete or partial forfeit or repayment of their award;
- There has been, in the opinion of the Directors, a material failure of risk management by reference to Group risk management standards, policies and procedures, taking into account the proximity of the participant to the failure of risk management in question and the level of the participant's responsibility;
- There is, in the opinion of the Directors, a materially adverse misstatement of Aviva's or the participant's relevant business unit's financial statements for which the participant has some responsibility;
- The participant participated in or was responsible for conduct which resulted in significant, or potentially significant, loss(es) to their relevant business unit, Aviva or any member of the Aviva Group;
- The participant failed to meet appropriate standards of fitness and propriety;
- There is evidence of misconduct or material error that would justify, or would have justified, had the participant still been employed, summary termination of their contract of employment; or
- Any other circumstances required by local regulatory obligations to which any member of the Group or business unit is subject.

4.6 Aggregate remuneration cost for Code Staff by business area

Following a review of the business, it has been determined that the operations of Aviva Investors should be considered as one material business unit. The total aggregate remuneration is as follows:

There were 65 Code Staff for all or part of the 2019 performance year. Aggregate remuneration expenditure in respect of Code Staff for the 2019 performance year was £41.1m.

Fixed remuneration represents 29.6% of this total, with 6.7% being pension/benefits and 63.7% variable remuneration.

Of the total variable pay (bonus and LTIA) made to Code Staff, 64.2% was deferred and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions for a further 2 years upon vesting.

The remuneration split between Senior Management and other Code Staff that make up the 65 Code Staff is as follows:

	Senior Management	Other Code Staff
Total Remuneration	**£17.9m**	**£23.1m**
Of which, Fixed Remuneration	20.2%	36.8%
Variable Remuneration	72.9%	56.6%
Of which deferred	74.1%	54.4%
Pension/Benefits	6.9%	6.6%
Number of Code Staff	18	47

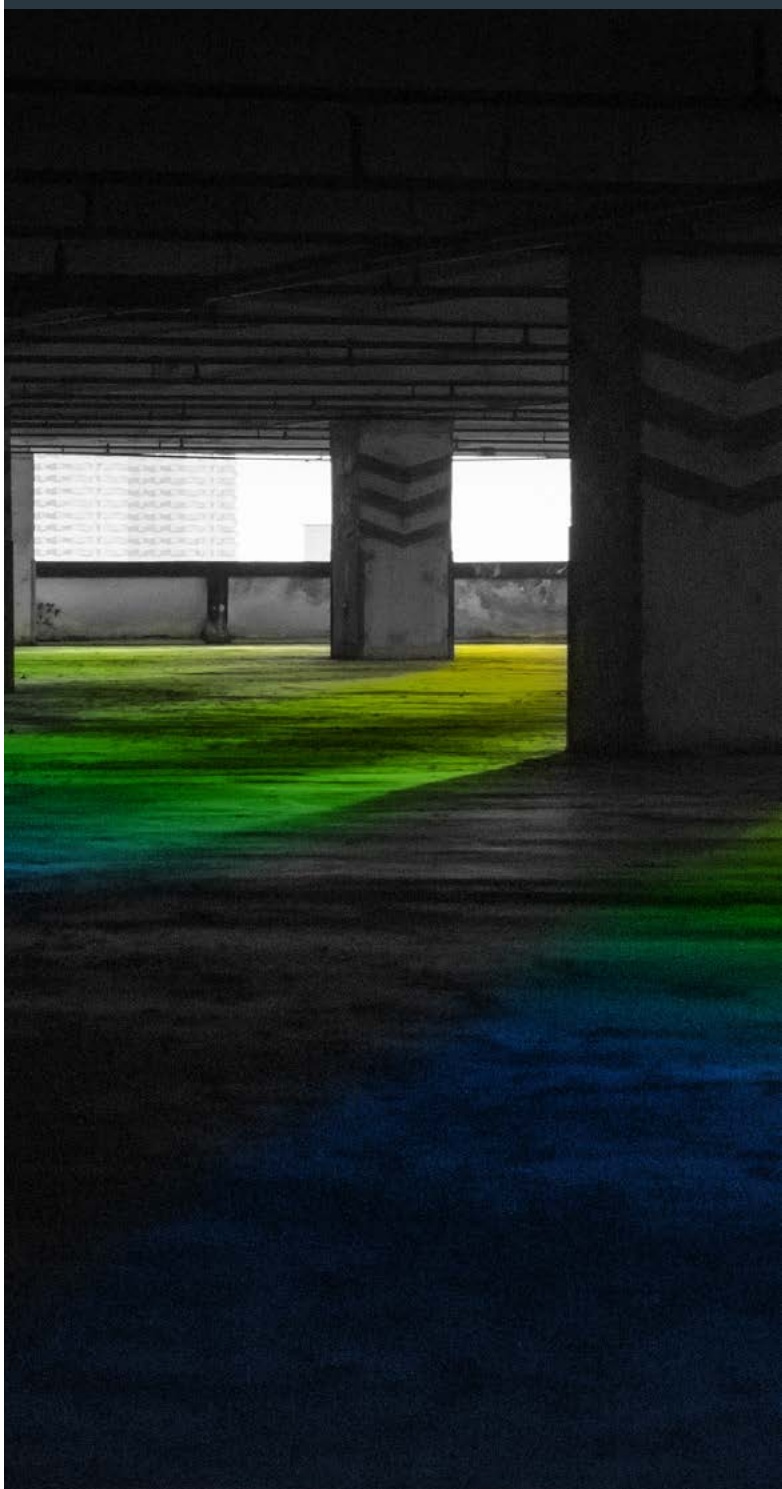
Abbreviations and glossary of terms

AGHL	Aviva Group Holdings Limited
AIGSL	Aviva Investors Global Services Limited
AIHL	Aviva Investors Holdings Limited
AIPL	Aviva Investors Pensions Limited
AIRR	Aviva Investors Risk Register
AIUKFL	Aviva Investors UK Funds Limited
AIUKFSL	Aviva Investors UK Fund Services Limited
AUM	Assets Under Management
Aviva Investors	In accordance with Article 7 and 9 of the CRR, includes entities detailed on page 7 of this report
Aviva Group	The Aviva plc group of companies as reported in Note 64 – Organisational structure, on page 246 of the Aviva plc Annual Report and accounts 2019, available at www.aviva.com
Aviva plc	The holding company of the Aviva Group and AIHL's ultimate parent company
Board	Board of Directors
Business Standards	A set of business standards which set out the requirements for operating across Aviva Group's most important business processes. The business standards are a key part of the Aviva Group's risk management framework.
CASS	Client Assets Sourcebook
CCO	Aviva Investors Chief Compliance Officer
CEO	Aviva Investors Chief Executive Officer
CET1	Common Equity Tier 1 capital
CFO	Aviva Investors Chief Financial Officer
COO	Aviva Investors Chief Operating Officer
COREP	Common Reporting – Standardised reporting framework issued by the European Banking Authority for CRD IV reporting
CRD IV	Capital Requirements Directive IV
CRO	Aviva Investors Chief Risk Officer
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions



EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
FLFL	Friends Life Funds Limited
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
FUM	Funds Under Management
GCS	Global Client Solutions
IA	Aviva Investors Internal Audit
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
iCARE	Integrated Common Assurance Reporting
IFPRU	Prudential Sourcebook for Investment Firms
IFRS	International Financial Reporting Standards
IMMMR	Identification, measurement, management, monitoring and reporting
IPRU-INV	Interim Prudential sourcebook for Investment Businesses
IRRBB	Interest Rate Risk in the Banking Book
LTIA	Long Term Incentive Award
KRI	Key Risk Indicator
OEIC	Open-ended Investment Company
OTC	Over-the-counter
RAG	Red-Amber-Green
RAS	Risk Appetite Statement
RCSA	Risk and Control Self Assessment
RED	Risk Event Database
RST	Reverse stress testing
RMF	Risk Management Framework
SMCR	Senior Manager & Certification Regime
SME	Subject Matter Expert
SREP	Supervisory Review and Evaluation Process
SST	Stress and scenario testing
T2	Tier 2 capital
UCITS	Undertakings for Collective Investment in Transferable Securities (Regulatory Status)





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