Pillar 3 Remuneration Disclosure
for Aviva Wrap UK Limited and Aviva Investment Solutions UK Ltd for the 2019
Performance Year (01/01/2019 – 31/12/2019)

Section 1: Governance of the Remuneration Policy

This document sets out the remuneration disclosures required pursuant to Article 450 of the Capital Requirements Regulation, relating to the Identified Staff of the following entities:-

- Aviva Wrap UK Limited (WRAP)
- Aviva Investment Solutions UK Ltd (AIS)

These two firms within the UK & Ireland Life business are subject to the Capital Requirements Directive IV (CRD IV) and the FCA Remuneration Code (SYSC 19A). The principal activity of both firms is the sale of units in authorised unit trusts, shares in open ended investment company (OEICs) sub-funds, and the management of Individual Savings Accounts. Both firms are designated as a level three organisation as defined in the Remuneration Code.

1. Decision-Making Process

a) Composition and Mandate of the Remuneration Committee

Remuneration at WRAP and AIS is governed by Aviva's Group Remuneration Committee 'The Committee' which meets regularly to consider issues relating to the remuneration policy and structures for the Aviva Group including the terms of annual bonus and long-term incentive plans and individual remuneration packages for all employees to which the Remuneration Code applies.

The Committee met ten times during 2019, of which four were scheduled meetings and six were additional meetings outside of the normal timetable.

The Group Chairman attended all meetings of the Committee. The Group General Counsel and Company Secretary acted as secretary to the Committee. The Chair of the Committee reported to subsequent meetings of the Board on the Committee's work and the Board received a copy of the agenda and the minutes of each Committee meeting.

During the year, the Committee received assistance in considering executive remuneration from a number of senior managers, who attended certain meetings (or parts thereof) by invitation during the year, including:

- the Group CEO;
- the Group CFO;
- the Chief People Officer;
- the Group Reward and Performance Director;
- the Chief Accounting Officer;
- the Chief Audit Officer;
- the Group Chief Risk Officer; and
- the Remuneration Committee Chair of Aviva Investors

No person was present during any discussion relating to their own remuneration.

Full details of the Committee including its terms of reference can be found here:
http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/board-committees/remuneration-committee/.

Alignment between The Committee and the Board Risk Committee (BRC) is achieved through some Non-Executive Directors sitting on both Committees. Further alignment is encouraged by private sessions at the BRC when remuneration is discussed and Company Secretary facilitating the sharing of key points discussed in this session.

b) The decision-making process used for determining the remuneration policy

The Committee approves the Remuneration Policy Statements for WRAP and AIS. They consider the alignment between Group strategy and the remuneration of its Code Staff as critical. Our Remuneration Policy provides market competitive remuneration, and incentivises Code Staff to achieve both the annual business plan and the longer-term strategic objectives of the Group. Significant levels of deferral and an aggregate shareholding requirement align the interests of Code Staff to those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met

c) External Consultants

During the year, the Committee received advice on executive remuneration matters from Deloitte LLP. Deloitte LLP were approved as advisers to the Committee in 2012 following a competitive tender process. The Committee regularly reviews and satisfies itself that the advice received from Deloitte LLP is independent and objective. The Committee notes they are a member of the Remuneration Consultants Group and adhere to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on taxation, financial due diligence, risk, compliance and other consulting advisory services (including technology transformation and cyber).

Tapestry Compliance Limited, appointed by the Company, provided advice on share incentive plan related matters, including on senior executive remuneration matters and views on shareholder perspectives.

d) Mandate of the Remuneration Committee

The Remuneration Committee takes full account of the company's strategic objectives in setting remuneration policy and is mindful of its duties to shareholders and other stakeholders.

The Remuneration Policy for Directors was approved by shareholders in 2018. The Policy is cascaded through management levels, ensuring alignment across our senior executives. Through consultation, shareholders and key stakeholders have given support for our approach for this three-year policy period. We are committed to paying for performance, and not paying excessively. We are also committed to ensuring pay outcomes are linked to the experience of our shareholders and reflect the effectiveness of risk management.

2. Link between pay and performance

Performance Measures

For the annual bonus, performance measures are chosen to align to the Group's KPIs and include financial, risk, employee and customer measures, while achievement against individual strategic objectives is also taken into account. The Committee also considers the overall performance of the business and any wider circumstances, and has the ability to apply overarching discretion to adjust formulaic outcomes.

Long Term Incentive performance measures are chosen to provide an indication of both absolute and relative return generated for shareholders. In terms of target-setting, a number of reference points are taken into account each year including, but not limited to, the Group's business plan and external market expectations of the Company. Maximum payouts require exceptional performance that significantly exceeds performance targets or expected performance, under both the annual bonus and Long Term Incentive.

Senior management objectives and pay decisions were determined by the Remuneration Committee as follows:-

- Determined appropriate levels of discretion to be applied to Eds and senior managers remuneration outcomes, including in relation to Ogden, risk and controls environment and events related to our preference shares
- Reviewed engagement with investors on 2019 ABP targets, including customer and trust metrics as strategic progress measures
- Discussed and approved the ABP targets for 2019
- Reviewed and approved the proposed individual remuneration for each member of the ALT in relation to their performance
- Agreed an appropriate approach to a remuneration package for incoming and outgoing EDs and Aviva Leadership Team (ALT) members
- Reviewed wider workforce pay and employment conditions elsewhere in the Group
- Reviewed the Risk and Internal Audit 2019 Performance Opinion in relation to remuneration
- Discussed and approved the overall maximum bonus pool available to senior managers for the 2019 performance year, taking into account metrics on culture and risk as well as on financial performance
- Reviewed performance testing of all existing LTIP awards, and approved targets for the 2019 LTIP awards
- Approved vesting of the 2016 LTIP and noted the interim testing for the 2017, 2018 and 2019 awards
- Reviewed the proposed changes to future LTIP grants

Section 2: Remuneration System Design

3. Design Characteristics and Performance Criteria

a) Key Principles of our approach to remuneration

The remuneration framework is based on a total reward approach and is designed to achieve alignment with Aviva's business strategy. Remuneration packages have an appropriate proportion of pay 'at risk', subject to the achievement of stretching goals, which is aligned with the Company's risk profile and employee behaviour.

b) Components of Compensation

There are four components of pay:

- 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.
- Annual bonus – a discretionary short term incentive plan where individuals have the opportunity to receive a bonus (which may be subject to deferral into Group shares for up to 3 years) based on business and individual performance against targets. The extent to which each aspect of performance affects the overall payment level depends on the role and responsibilities of the individual. Company and Individual performance are measured against objectives built under Financial, Customer and People headings.
- Long Term Incentive Plan – is intended to reward the achievement of the Company's longer-term objectives, to aid the retention of our key people and to align the interests of our senior managers with those of our shareholders. LTIP awards to the Group Executive are made as

performance shares, which are forward-looking in nature, taking into account performance (Total Shareholder Return and Return on Equity) of the Company over the three years (the "performance period"). LTIP awards below the Group Executive are made as restricted stock units, with no formal performance conditions, although vesting is subject to acceptable personal performance and conduct over the period.

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

c) Criteria used for performance measurement

These are reflected in the bonus scorecard against which performance was assessed, comprising:

<u>Financial and non-financial performance metrics</u>

- Operating profit
- Cash remittances
- Operating capital generation
- Value of New Business
- Strategic Measures
  - Multiple Product Holdings (MPS)
  - Relationship Net Promoter Score

<u>Non-financial modifiers</u>

- <u>Employee engagement</u> (performance against internal employee engagement survey)
- <u>Customer</u> (performance against our Relationship Net Promoter Score targets and our overall focus on customer outcomes)
- <u>Risk & Controls</u> (specific risk and control objectives for senior management and Executive Directors. The aim is to help drive and reward effective risk management and a robust control environment across the Group)

While the modified outcome against the bonus scorecard provides a pool of funding for bonuses, actual bonus decisions are made based on: individual contribution and achievements, how the person has assisted the Group and/or business achieve progress against its strategic objectives, the leadership they have exhibited, performance against Risk and Control objectives and how the individual has demonstrated the Aviva values.

d) Code of Conduct

Aviva 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.

e) Malus and Clawback

The circumstances when malus and clawback may apply include (but are not limited to) where the Committee considers that the employee concerned has been involved in or partially or wholly responsible for:

- A materially adverse misstatement of the Company's financial statements, or a misleading representation of performance; or
- A significant failure of risk management and/or controls;
- A failure to meet appropriate standards of fitness and propriety;
- A material corporate failure in any Group member;

- A material error in the calculation of a financial or non-financial performance metric used to determine the outcome of Variable Pay;
- A scenario or event which causes material reputational damage to the Company;
- Misconduct which, in the option of the Committee, ought to result in the complete or partial lapse of an award;
- An evidence of employee conduct that justifies summary termination of employment, irrespective of whether the employee is still employed by Aviva.
- Any other circumstances required by relevant local regulatory obligations.

All variable pay granted or paid to any Group employee is subject to malus and clawback, in accordance with the Company's Malus and Clawback Policy. This includes the cash and deferred elements of the annual bonus and long term deferred awards.

Section 3: Quantitative Information

4. Code Staff criteria

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

- Members of the firm's board e.g. statutory directors including non-executive directors.

- Any director\employee holding any of the following currently defined FCA Control Functions in respect of the firm (changes to be made as appropriate should FCA change the control function definitions);

    - CF1: Director Function;
    - CF2: Non-Executive Director;
    - CF3: Chief Executive Function;
    - CF8: Apportionment and oversight function;
    - CF10: Compliance Oversight Function;
    - CF10A: CASS Operational Oversight Function;
    - CF11: Money Laundering Function;
    - CF28: Systems and Controls Function;
    - CF29: Significant Management Function.

- Any employees with delegated financial or other authority for the firm equivalent to directors\members of the firm's board.
- Senior Managers responsible for management/supervision for a significant business line/unit/function/team and those who have a material impact on Aviva's risk profile in this Legal Entity (LE)
- A quantitative assessment of employees providing services to the in scope firms as introduced under the European Banking Authority's Article 94 (2) of Directive 2013/36/EU

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

5. Aggregate quantitative information on remuneration

<u>Aviva Wrap UK Ltd</u>

There were **17** Senior Manager 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 **£7.91m**.

Of this total 37% is fixed remuneration, 10% pension/benefits and 53% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to Senior Manager Code staff, 67.1% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.

There were **5** other Code Staff for all or part of the 2019 performance year. Aggregate remuneration expenditure in respect of other Code Staff for the 2019 performance year was **£524,108.**

Of this total 71% is fixed remuneration, 13% pension/benefits and 16% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to other Code staff, 0% was deferred in to Aviva Group shares.

Aviva Investment Solutions UK Ltd

There were **15** Senior Manager 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 **£9.52m**.

Of this total 38% is fixed remuneration, 10% pension/benefits and 52% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to Senior Manager Code staff, 67.31% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.

There were **6** other Code Staff for all or part of the 2019 performance year. Aggregate remuneration expenditure in respect of other Code Staff for the 2019 performance year was **£1.10m**.

Of this total 64% is fixed remuneration, 12% pension/benefits and 24% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to other Code staff, 5.39% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.