

Remuneration Committee Terms of Reference

1. Purpose

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of the Group, and for reviewing compliance with the policy in so far as it relates to Executive Directors and senior managers. Within the context of the policy, the Committee is specifically responsible for making recommendation for the remuneration packages of the Chairman of the Board, the Executive Directors and members of the Group Executive and the remuneration approach for any such individuals who would be subject to increased regulatory scrutiny (such as under the remuneration provisions of the Capital Requirements Directives, or Solvency II).

2. Membership

- 2.1 The members, including the chairman of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee. Members shall be appointed in consultation with the chairman of the Remuneration Committee.
- 2.2 The Committee shall consist of not less than three members and all members shall be independent non-executive directors of the Company. In addition to the independent non-executive directors, the Chairman of the Board may also be a member of the Committee if he is considered independent on appointment as Chairman, but may not chair the Committee. Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the director still meets the criteria for membership of the Committee and subject to the articles of association of the Company and re-election by shareholders.

3. Quorum and meeting proceedings

- 3.1 A quorum of the Committee shall be two members. In the absence of the Committee chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 3.2 The Group Company Secretary, or her nominee, shall be the secretary of the Committee.

4. Attendance at meetings

- 4.1 Only Committee members and other non-executive Board members have the right to attend Committee meetings. The Chairman of the Board, the Group Chief Executive Officer and the Group Human Resources Director will normally be invited to attend Committee meetings except for any part of a Committee meeting at which their own remuneration is being discussed.
- 4.2 Members of Management and any advisers appointed by the Committee may attend any meeting of the Committee if invited by the Committee. No invited member may be present at any meeting at which his or her own remuneration is being discussed, nor be involved in any decision as to his or her own remuneration.

5. Frequency of Meetings

- 5.1 Meetings shall be held not less than four times each year and at such other times as required.
- 5.2 The Group Chief Executive Officer, Group Human Resources Director, the

chairman of the Committee or two members of the Committee may request a meeting if any of them consider that one is necessary.

6. Notice of meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee chairman.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of meetings

- 7.1 The Secretary of the Committee shall ensure that a formal record of Committee proceedings and resolutions is maintained.
- 7.2 Following the approval of the minutes by the chairman of the Committee they shall be circulated to all members of the Committee.

8. Authority

The Committee is authorised by the Board to:

- 8.1 investigate, or cause to be investigated, any activity within its terms of reference;
- 8.2 obtain at the Company's expense external legal or independent professional advice from such advisers as the Committee shall select who may, at the invitation of the Committee, attend meetings as necessary;
- 8.3 seek any information it requires from any employee of the Company in order to perform its duties and require all employees to co-operate with any requests made by the Committee;
- 8.4 despatch its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by the written resolution procedure set out in the Company's articles of association;
- 8.5 delegate its duties specifically in respect of the exercise of the Committee's discretion:
 - (a) to treat participants under the Group's share and incentive plans as "good leavers" to any two of the following:
 - a member of the Committee
 - the Group Human Resources Director
 - the Group Company Secretary
 - an Executive Director

such discretion to be used in circumstances where a participant is required to leave the Company but cannot be dismissed for cause; and

- (b) to make adjustments to awards (either pre or post vesting), other than relating to awards of Executive Directors and Group Executives, to employees as identified in the Malus and Clawback policy.

Any such delegations should be reported to the next meeting of the

Committee;

- 8.6 delegate authority for any changes to the terms and conditions or administration of an incentive or share plan for employees who are covered by the remit of the Committee, providing such changes do not require a material change to share plan rules, to the committee Chairman and Group Chief Executive Officer (unless the proposals concern the Group Chief Executive Officer in which case the Chairman of the Board). Any such delegations should be reported to the next meeting of the Committee; and
- 8.7 delegate any of its other duties as is appropriate to such persons or person as it thinks fit.

9. Duties

The duties of the Committee, which will be carried out in relation to the Company and the Group as a whole, as appropriate, including in relation to Aviva Investors, shall be to:

- 9.1 review and make recommendations to the Board regarding the Group's broad policy relating to the total remuneration (and its individual components, including any pension rights and compensation payments) paid to the Chairman of the Board, Executive Directors and Group Executive members, and to members of senior management as the Committee may consider appropriate from time to time. The remuneration of non-executive directors shall be a matter for recommendation to the Board by the Chairman and Executive Directors of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

- 9.2 in determining such policy:

to take into account all factors which it deems necessary including:

- (i) all relevant legal and regulatory requirements, and the provisions and recommendations of the UK Corporate Governance Code and associated guidance regarding the remuneration of directors of listed companies and the formation and operation of share incentive plans (in particular the principles and provisions of the guidelines published by the Investment Association and the Pensions and Lifetime Savings Association) which the Committee considers relevant or appropriate;
 - (ii) the requirements of the PRA and FCA Remuneration Codes and other relevant remuneration regulations;
 - (iii) the requirements deriving from the Solvency II Directive when applicable;
 - (iv) any Pillar 3 disclosure requirements in relation to remuneration of the relevant business;
 - (v) the provisions which are relevant to the disclosures required in the Directors' Remuneration Report;
 - (vi) the impact of policy on effective risk management; and
 - (vii) the remuneration trends across the Company or Group;
- 9.3 as required under the Solvency II Directive and associated guidance, on behalf of the Board, oversee the design implementation, and review of remuneration policies and practices and provide ongoing oversight of compliance with the requirements under Solvency II, including but not limited to:
 - (a) reviewing and approving the Group wide remuneration policy and general principles for relevant individuals identified under Solvency II (**Relevant Employees**) on an annual basis. This includes consideration of the performance of the remuneration arrangements and reviewing and approving proposed changes;

- (b) overseeing remuneration decisions relating to Relevant Employees to ensure they are aligned to the agreed policy. This includes reviewing remuneration arrangements on departure from the Group to ensure that they are designed and operated in a way which does not reward failure.
- 9.4 recommend to the Board to seek shareholder approval to the directors' remuneration policy, and ensure compliance with it, in accordance with the Companies Act 2006 (the **Approved Policy**) and any proposed amendments to policies affecting Executive Directors to be in accordance with the Approved Policy or to seek further shareholder approval to the proposed amendments;
- 9.5 regularly review the ongoing appropriateness and relevance of the remuneration policy and the Approved Policy and ensure that reward policies across the Group work:
 - (a) in a consistent, efficient and effective way to deliver the talent requirements of the organisation and ensure there is no reward for failure;
 - (b) to support the short and long-term strategic objectives of the Group;
 - (c) to promote sound and effective risk management and do not encourage risk-taking that exceeds the risk tolerance limits of the firm; and
 - (d) to attract, retain and motivate Executive Directors and senior managers of the required calibre for the successful promotion of the Group, without remuneration packages offering any more than is necessary.
- 9.6 consider whether or not and to what extent the views of employees should be obtained in relation to the formulation of the Approved Policy;
- 9.7 obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall be exclusively responsible for selecting, appointing, and determining the terms of reference of independent remuneration consultants appointed to advise the Committee on remuneration policy, levels of remuneration, and any other issues relating to Executive Directors and in so doing, take account of any other relationship or connection such remuneration consultants may have with the Group;
- 9.8 review, and within the broad policy from time to time approved by the Board and, where applicable, the Approved Policy, determine the terms of employment and remuneration packages of the individual Executive Directors (including newly appointed Executive Directors) and the Group Executive members, including the Chief Executive Officer of Aviva Investors, including the component parts of the package such as pensions, bonus plans, participation in grants and awards under share incentive plans, with a view to ensuring that the Executive Directors and Group Executive members are fairly but responsibly rewarded for their individual contributions;
- 9.9 review, and within the broad policy from time to time approved by the Board and, where applicable, the Approved Policy, determine the remuneration package of the Chairman of the Board;
- 9.10 monitor and recommend to Management, the level and structure of remuneration for the senior management of the Group in accordance with the agreed policy, reviewing the aggregate awards made each year to ensure the policy is being adhered to. In addition, to monitor and review the remuneration, on an individual basis, for any employee in control functions, Code Staff and those whose total remuneration exceeds £750,000 per annum;

- 9.11 in relation to Aviva Investors, approve the reward strategy, including any changes to the strategy and performance conditions; note the total annual bonus pool based on an agreed formula, or approve any exceptions; receive remuneration details of Aviva Investors' "material" employees described in 9.9; approve any new share and incentive plans or any changes to existing share and incentive plans;
- 9.12 annually approve the list of Code Staff and any severance packages for Code Staff;
- 9.13 other than in respect of members of the Board whose remuneration will fall within the Approved Policy, approve any exceptional remuneration activity for employees that is outside the agreed reward policy, in particular any buy-outs of existing remuneration arrangements and/or guaranteed bonuses for new hires;
- 9.14 approve any compensation packages or arrangements following the severance of any Executive Directors' service contract, to ensure that it falls within the Approved Policy and that the Executive Director is treated fairly but that failure is not rewarded and the duty of the director to mitigate any loss suffered by him or her as a result of the severance is appropriately embodied in the agreed terms;
- 9.15 review and recommend to the Board acceptance of the parts of the Board's Annual Report to shareholders relating to matters within the Committee's remit, ensuring that all statutory and regulatory disclosure requirements are fulfilled;
- 9.16 agree a policy for authorising claims for expenses from the Group Chief Executive Officer and the Chairman;
- 9.17 approve Group policies relating to remuneration as determined by the Board from time to time, and any material amendments thereto; review and approve the Group Remuneration Business Standard on an annual basis;
- 9.18 recommend to the Board the establishment of any employee share plans, including material amendments to existing plans, which require the approval of the Company's shareholders, and in respect of any plans so approved by the Board, to approve any non-material amendments thereto;
- 9.19 exercise all the powers of the Board in relation to the operation of any share and incentive plans – particularly the Long Term Incentive Plans, Executive Share Option Plans, and Annual Bonus Plans - including the determination of overall award levels, the granting of awards and options, the setting, monitoring and testing of performance conditions (where appropriate) the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any amendments to the rules of the plans not requiring the approval of shareholders;
- 9.20 exercise all the powers of the Board in relation to the operation of the Group's SAYE Share Option Schemes, other similar schemes under which options or awards are granted over the Company's shares, including the determination of overall award levels the making of invitations, the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any material amendments to the rules of the plans not requiring the approval of shareholders;
- 9.21 exercise all the powers of the Board in relation to the operation of the Group's All Employee Share Ownership Plan including whether any free shares shall be granted, the determination of overall award levels, the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any material amendments to the rules of the plans not

requiring the approval of shareholders;

- 9.22 be available to advise the Chairman or the Board on any matters relating to remuneration or reward of the Executive Directors or senior management and consult with the Chairman of the Board and the Group Chief Executive Officer regarding its proposals;
- 9.23 consider other topics, as from time to time referred to it by the Board;
- 9.24 work with the Risk Committee to ensure that risk is properly considered in setting the overall remuneration policy for the Group and the remuneration of the executive directors and other senior executives, to ensure conflicts are not generated and that remuneration arrangements are commensurate with promoting the ethical behaviour of all employees of the Group and do not encourage risk taking that exceeds the Group's risk appetite;
- 9.25 following the review of the talent management and development programmes for employees across the Group (excluding executive directors) by the Governance Committee and the review of the career and development plans for the senior management group by the Nomination Committee, to review and consider any associated remuneration issues, ensuring appropriate reward for performance. To work with the Governance and Nomination Committees in this respect, as appropriate; and
- 9.26 review and determine whether any adjustment of awards (whether pre or post vesting) should be made in relation to any Executive Director or Group Executive or Code Staff (including those of Aviva Investors) and to receive reports on the consideration of the operation of an adjustment of awards in relation to any senior manager.

10. Reporting Procedures

- 10.1 The chairman of the Committee shall report to the Board at regular intervals on the matters it has reviewed, making recommendations when requested or when considered appropriate.
- 10.2 The Committee members shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations to the Board for approval.
- 10.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations and the UK Corporate Governance Code, are fulfilled.
- 10.4 The Committee shall produce:
 - an annual report of the Company's remuneration policy and practices, and of its duties and activities during the year, and
 - a policy report in respect of directors' remuneration at least every three years,

which will form part of the Company's Annual Report and Accounts and for which approval will be sought from shareholders as required under the Companies Act 2006.

- 10.5 The Committee shall consider and make recommendations to the Board concerning disclosures of details of remuneration packages and structures in addition to those required by law, the UK Listing Authority or the London Stock Exchange.
- 10.6 The chairman of the Committee shall attend the Annual General Meeting of the Company and answer questions, through the Chairman of the Board, on

the Remuneration Committee's activities and their responsibilities.

- 10.7 Through the chairman of the Committee, the Committee should ensure that the company maintains contact as required with its principal shareholders regarding remuneration.