

[Directors' and Corporate Governance report](#)

Directors' and Corporate Governance report

The UK Corporate Governance Code

As a UK Premium Listed company, Aviva's governance structure is based on the principles of the 2016 UK Corporate Governance Code (2016 Code). Details of how we have applied the principles of the 2016 Code and complied with its provisions are set out in this report and the Directors' Remuneration Report. The Board can confirm that the Company was compliant with the 2016 Code throughout the financial year under review, with the exception of the interim change in status for Sir Adrian Montague from Non-Executive Chairman to Executive Chairman from 9 October 2018 until the appointment of Maurice Tulloch as our new Group Chief Executive Officer (Group CEO) on 4 March 2019. As a result, the company was non-compliant with Provision A.2.1 of the 2016 Code for this interim period. Further details of the role of the Executive Chairman are given below.

The Board welcomes the introduction of the 2018 UK Corporate Governance Code (2018 Code) which applies to the Company for its financial year beginning 1 January 2019. The Company will report on its compliance with the 2018 Code in the 2019 Annual report and accounts.

Changes to the Board

On 9 October 2018, Mark Wilson stepped down as the Group CEO. Sir Adrian Montague, the Non-Executive Chairman of Aviva, assumed the role of Executive Chairman whilst the search for a new Group CEO was undertaken. The Board considered a number of options for the interim leadership of the Group, and agreed that the appointment of the Chairman as Executive Chairman would provide continuity in the leadership of the Group and would support the transition of responsibilities to the new Group CEO. Whilst discharging these responsibilities, Sir Adrian led a Chairman's Committee comprised of the three executive directors, Andy Briggs (CEO, UK Insurance), Tom Stoddard (Chief Financial Officer) and Maurice Tulloch (CEO, International Insurance). Sir Adrian Montague reverted to the role of Non-Executive Chairman of Aviva upon appointment of the new Group CEO. These interim arrangements were discussed and agreed with our regulators.

The role profile for the position of Executive Chairman included arrangements for potential conflicts of interest in the execution of Sir Adrian's executive responsibilities within the company alongside his role as Chairman of the Board. The role profile for the Senior Independent Director, Glyn Barker, was also amended to include additional responsibilities around assisting Sir Adrian in his Chairman's role, and monitoring any issues around conflicts. No conflicts were identified in the discharge of the role of Executive Chairman. No additional remuneration was paid in respect of these additional responsibilities, as set out in the Directors' Remuneration Report, and there were no other changes in the terms of any other directors during this period.

The Nomination Committee led the process to appoint a new Group CEO and interviewed a number of excellent internal and external candidates for the position in a thorough and highly competitive process. The Nomination Committee ensured that there was a diverse selection of candidates and that all the candidates aligned

with the culture and values set of the company. This process led to a unanimous conclusion with the appointment of Maurice Tulloch as Group Chief Executive.

We announced in January that Michael Hawker will retire from the Board as a Non-Executive Director, as Chairman of the Risk Committee and as a member of the Audit and Nomination Committees, with effect from 31 March 2019. He has served as a Non-Executive Director since January 2010. We would like to thank Michael for his enormous contribution to Aviva over the past nine years. He has brought to the Board a wealth of knowledge and experience gained over a long career in the banking and insurance industries in both executive and non-executive roles in Europe, Asia and Australia, and has been a distinguished Chairman of the Risk Committee. The appointment of the new Risk Committee Chair is well advanced, and will be announced following the completion of the relevant regulatory approval process.

The Board

As at the date of this report the Board is comprised of the Chairman, three Executive Directors and seven Independent Non-Executive Directors (NEDs). As noted above Michael Hawker will be retiring from the Board and the committees he serves on 31 March 2019. Details of the role of the Board and its committees are described in this report. The duties of the Board and of each of its committees are set out in the respective Terms of Reference. Our committees' Terms of Reference can be found on the Company's website at www.aviva.com/committees and are also available on request from the Group Company Secretary. The Terms of Reference list both matters that are specifically reserved for decision by our Board and those matters that must be reported to it. The Board delegates clearly defined responsibilities to various committees and reports from the Audit, Governance, Nomination and Risk Committees are contained in this report. A report from the Remuneration Committee is included in the Directors' Remuneration Report.

Board diversity and inclusion

Diversity and inclusion are integral parts of Aviva's culture, and our Board seeks to reflect this. The Board agreed a Diversity and Inclusion Statement in May 2017 and this supports the Nomination Committee in its approach to succession planning, and was incorporated into the Committee's approach to identifying Maurice Tulloch as our new Group CEO. The statement sets out our beliefs around the importance of diversity and inclusion in the Group, and aligns with our Global Inclusive Diversity Strategy (Diversity Strategy). The Diversity and Inclusion Statement can be found on the Company's website at www.aviva.com/corporate-governance.

The approach to Board diversity is monitored by the Nomination Committee which reviews the balance of skills, knowledge, experience and diversity on the Board; leads on succession planning for appointments to the Board and the senior executive team; and oversees the talent development and broader talent pipeline across the Group. The Board's approach to NED succession planning was refreshed during the year to further enhance the periodic review of tenure, skills and capabilities, delivering a more continuous succession review cycle. The Board's skills matrix supports this approach by enabling us to map the broad diversity of skills, knowledge and experience of the Board and to link these to our strategy. The Nomination Committee continued to review the internal and external talent pipeline for senior executive positions, both for immediate readiness to take on roles, and for the medium term. This included making progress in the development programmes that supported the talent development pipeline.

We recognise that the Board sets the tone for inclusion and diversity across the Group and believe that a diverse leadership team supports good decision making. At Aviva, diversity encompasses a broad range of factors including experience, skills, tenure, age,

geographical expertise, professional background, ethnicity, disability and sexual orientation. As at the date of this report, the percentage of women Board members has increased to 27%. We continue to support our target of at least 33% women on the Board by 2020, as evidenced from our participation in initiatives such as the Women in Finance Charter and the 30% Club. The diversity charts in the Chairman's Governance Letter show that the Board has a broad mix of financial services experience, relevant professional skills and international business exposure.

Board activities during 2018

Board strategy and business plans

- Approved the 2019-2021 Group Plan and received presentations and reports from our businesses in respect of strategy execution and performance against the Group Plan
- Held an annual dedicated two day offsite strategy session in June 2018, supplemented by further specific strategy sessions, to review and further develop the Group's strategy
- Reviewed and constructively challenged reports from the Group CEO and CFO, proposals for significant transactions, changes in senior management, regulatory developments, the control environment, and progress against the Group Plan and the Group's strategy
- Discussed regular updates from the Chairman (or Executive Chairman when appointed) on Board matters for which he is responsible, such as Board composition

Stakeholder Engagement

- Customer
 - Received updates on customer metrics, strategies and challenged action plans to reduce customer complaints
 - Undertook deep dives into renewal pricing, customer experience journeys, and customer operations and transformation
 - Monitored customer reputation issues in relation to IT platform migrations
 - Discussed reports from the Governance Committee on customer conduct issues
- Shareholders
 - Considered the views of major shareholders on company strategy and performance, and assessed investor sentiment more broadly in conjunction with the Group's corporate brokers
 - Reviewed and agreed our investor relations strategy
- Government and regulators
 - Discussed and provided input into dialogue with regulatory and governmental authorities in the UK
 - Engaged with the regulatory authorities in our key markets
- Our people
 - Discussed reports from the Evolution Council on various matters including strategy, cyber risk and Aviva's products, and held several informal discussions with the Council

Oversight of risk and risk management

- Scrutinised reports from the Chief Risk Officer (CRO), and assessed the Group's significant risks and regulatory issues, approved the Group's risk appetite, approved the Group risk policies which provide the risk framework for managing risk across the Group, and received updates on the Group's capital and liquidity position
- Reviewed and discussed the strategy for the simplification and rationalisation of legacy IT systems
- Undertook regular reviews of the Group's cyber risk profile
- Discussed updates on the operational impact of Brexit on the company; considered and agreed a risk management approach to Brexit planning
- Monitored reports on the migration to a cloud based IT architecture

Corporate governance

- Discussed regular updates from Board committees and management on legislation and proposed consultations that will affect the Group's legal and regulatory obligations, including the 2018 Code
- Received assurance that governance structures remained appropriate for the businesses and the global markets in which we operate, while supporting the Group's overall strategy and culture
- Discussed and agreed strategies around the management of the Group's preference shares, and the subsequent goodwill payment programme launched in July 2018

Significant transactions and expenditure

- Approved financial matters in line with the Group Funding Plan, including a capital return to shareholders via a £600 million share buyback programme, the redemption of the €500 million Tier 2 debt instrument, and the redemption of US\$575 million perpetual subordinated loan notes issued by Friends Life Holdings plc (a Group subsidiary)
- Approved strategic M&A activities including the disposal of the Group's two Spanish joint ventures to Bankia, and the launch of a digital insurance joint venture in Hong Kong with Hillhouse Capital Group and Tencent Holdings Limited. Concluded the disposal of Aviva's shareholding in its joint venture in Italy, Avipop Assicurazioni S.p.A. to Banco BPM S.p.A. in March 2018

Financial reporting and controls, capital structure and dividend policy

- Monitored the Group's financial performance, financial results, and approved dividend payments
- Assessed the Group capital and liquidity requirements, arising from the Group's strategy and Group Plan
- Discussed reports provided by its committees on key matters of financial reporting, providing the opportunity for the Board to input and challenge where necessary
- Approved the full year results and Annual report and accounts, and the half year results

People, culture, succession planning and Board effectiveness

- Reviewed and discussed the succession plan for the Board, with particular emphasis on identifying Maurice Tulloch, our new Group CEO
- Undertook an external evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors and implemented an action plan in accordance with its recommendations
- Reviewed the results of the 2018 Voice of Aviva survey, and discussed them in respect of culture
- Regularly discussed the current Group culture, its alignment with strategy, and how it has been further strengthened during the year
- Approved the new Board succession planning process

Board appointments

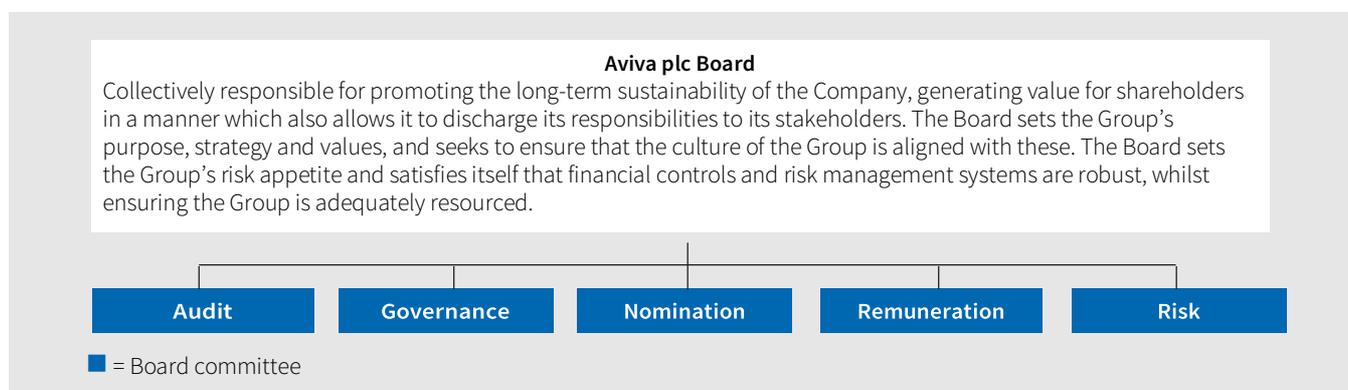
Maurice Tulloch was appointed as Group CEO on 4 March 2019. Maurice was appointed following an extensive search that produced a shortlist of exceptional external and internal candidates. Maurice brings a deep understanding of insurance, both general and life insurance, to the board. He is exceptionally well qualified to re-energise Aviva and deliver long term growth.

The Board has processes in place to appoint NEDs who can apply their wider business skills, knowledge and experience to the oversight of the Group, and provide input and challenge in the boardroom to assist in the development and execution of the Board's strategy. Similarly, Executive Director appointments are made to ensure the effective formulation and implementation of the Group's strategy. The Nomination Committee, on behalf of the Board, reviews the skills of Board members at least annually, identifying any areas of skills, experience and knowledge that we can further strengthen. All director appointments are made by the Board and are subject to a formal, rigorous, and transparent

process, and to the appropriate regulatory approvals. No new NED appointments were made during the year.

The Nomination Committee report sets out the process that would be adopted to identify and appoint new NEDs, which includes consideration of diversity criteria. The NEDs assist management in the development of the Group's strategy, so it is important that they have experience of strategy formulation, business planning and transformation. To be effective, it is the Board's view that the majority of our NEDs should also have a sound understanding of the financial services industry to be able to fully understand the strategic issues and opportunities the Company faces so that they can provide appropriate challenge. All Board appointments are also subject to continued satisfactory performance following the Board's annual effectiveness review, and the Company's articles of association (Articles), which prescribe that all serving directors will retire and stand for election or re-election at each Annual General Meeting (AGM).

Board and Committee structure



Board independence

The Nomination Committee, having considered the matter carefully, is of the opinion that the current NEDs remain independent, in line with the definition set out in the 2016 Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. Over half of the Board members, excluding the Chairman, are independent NEDs.

Michael Hawker has served as a director since his appointment in January 2010 and Glyn Barker since his appointment in February 2012. In accordance with Provision B.1.1 of the 2016 Code, the independence of Michael Hawker and Glyn Barker was subject to a particularly stringent review by the Nomination Committee. The review recognised Michael Hawker's deep knowledge of Aviva and his extensive operational experience of the insurance industry which he brings to his role as Chair of the Risk Committee and to the Board. Glyn's deep understanding of accounting and regulatory issues and his extensive experience as a business leader means he also continues to provide independent insight and challenge in the boardroom. After careful consideration, it was agreed that both Michael and Glyn remain independent and continue to make a valuable contribution to the Board. Michael Hawker will step down from the Board and its committees on 31 March 2019. The appointment of the new Risk Committee Chair is well advanced, and will be announced following the completion of the relevant regulatory approval process.

The review of the directors' other interests, examined the 'cross directorships' of Keith Williams and Claudia Arney who both sat on the Board of Halfords plc (Keith Williams is Non-Executive Chairman). The Nomination Committee was satisfied that the cross directorships did not impact the independence of either Claudia

Arney or Keith Williams or their ability to carry out their role as directors of the Company and Claudia Arney stepped down from the board of Halfords plc on 1 March 2019. The Nomination Committee also examined the cross directorships of Patricia Cross and Michael Hawker on the board of Macquarie Group and was satisfied that the cross directorships did not impact the independence of either Patricia Cross or Michael Hawker or their ability to carry out their role as directors of the Company. Patricia Cross stepped off the Macquarie Group Board during 2018. The Nomination Committee examined Glyn Barker's former position as a partner at the Group's current auditors and was satisfied this did not affect the judgement or independence of Glyn Barker as a director.

Time commitment

Each NED must be able to devote sufficient time to the role in order to discharge his or her responsibilities effectively. The Chairman assesses the time commitment of the NEDs as part of the annual review of their effectiveness, and the Senior Independent Director (SID) reviews the time commitment of the Chairman. This assessment takes into account the number of external commitments each director has and considers whether each director has demonstrated that they have sufficient time to devote to their present role within Aviva including under potential periods of corporate stress.

Prior to accepting the role of interim Executive Chairman, Sir Adrian discussed how he would discharge the role with the Executive and Non-Executive Directors, and also with our regulators. This included the creation of a Chairman's Committee, composed of the Executive Chairman and Executive Directors, to advise the Executive Chairman on the strategic, monitoring and control aspects of the day to day management of the Group. In addition the role of the

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Senior Independent Director was expanded to ensure that any potential conflicts between the Chairman's role as Executive Chairman and Non-Executive Chairman were managed appropriately. The creation of the Chairman's Committee, an increased personal time commitment to Aviva, and the interim nature of the role, enabled Sir Adrian to effectively discharge the role of Executive Chairman.

According to the Board's policy, Executive Directors may hold one external directorship and must obtain the prior consent of the Board before accepting a non-executive directorship in any other company. During the year, this procedure was followed when former Group CEO Mark Wilson became a non-executive director of BlackRock, Inc. the US-based asset manager in March 2018. The time commitment and potential conflicts involved were carefully examined and the appointment was approved on the basis that exposure to BlackRock's businesses for Mark would be to the benefit of Aviva, particularly in terms of developing Mark's exposure to the priorities of strategic investors. In addition the potential conflicts could be adequately managed by the Chairman and Chief Financial Officer.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success for the benefit of its shareholders as a whole.

The Board's procedure is to review and approve actual and potential conflicts of interest as they arise. This procedure operated effectively during the year, including the review of Mark Wilson's appointment as a Non-Executive Director of BlackRock, Inc. in March 2018, and the review of any potential conflicts resulting from Sir Adrian Montague's assumption of the Executive Chairman role in October 2018. In both cases, nothing was found to exist to prevent acceptance of these roles, with appropriate mitigation being put in place should any conflict arise which would include being recused from certain discussions that could give rise to a conflict.

Independent advice

All directors have access to the advice and services of the Group Company Secretary and directors wishing to do so may take independent professional advice at the Company's expense. During the year, the Board took independent advice to further inform and support its discussions with management on the Company's strategy. The Company arranges appropriate insurance cover in respect of legal actions against its directors. The Company has also entered into indemnities with its directors as described in the Other Statutory Information section in this report.

Executive Chairman, non-Executive Chairman, and Group Chief Executive Officer

Consistent with the Board Terms of Reference and those of the Chairman's Committee while it operated, and separately with the Senior Insurance Managers Regime (SIMR), there are role profiles for

the Non-Executive Chairman, Executive Chairman (when appointed), and the Group CEO which set out the duties of each role. The Non-Executive Chairman's priority is to lead the Board, monitor the Group's culture and ensure its effectiveness. The priority of the Group CEO and the interim Executive Chairman is the management of the Group. The Board has delegated the day-to-day running of the Group to the Group CEO or the interim Executive Chairman within certain limits, above which matters must be escalated to the Board for determination. Summaries of the role profiles for the Chairman, Executive Chairman, SID, Group CEO and NEDs are available on the Company's website at www.aviva.com/about-us/roles.

Senior independent director (SID)

The SID's role is to act as a sounding board for the Chairman, to serve as an intermediary for the other directors where necessary and to be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate. In addition, Glyn Barker met each NED from time to time, providing a forum in which they could raise matters. The SID role profile was also amended to enhance his role in managing any potential conflicts of interest following the appointment of an Executive Chairman.

Induction, training and development

The Board believes strongly in the professional development of the directors and all the Group's employees. Each director commits to continuing their professional development as part of their service contract. During the year, the directors attended a number of internal training sessions on topics including longevity assumptions, cash and operating capital generation and responsible investing. Training sessions have been built into the Board and Committees' plans for 2019. The Chairman ensures that any new directors receive a comprehensive induction programme over a number of months, tailored to their particular needs. All new directors would receive induction materials, which include: the current strategic and operational plan; recent Board and committee minutes and meeting packs; organisation structure charts; role profiles; a history of the Group; and relevant policies, procedures and governance material. Any knowledge or skill enhancements identified during the director's regulatory application process would also be addressed through their induction programme. No new non-executive directors were appointed during the year.

Board calendar

During 2018, 14 Board meetings were held, of which nine were scheduled meetings and five were additional meetings called at short notice. In addition, the Board delegated responsibility for certain items to specially created Board committees, which met twice only to discuss these particular items.

The Board visits different markets each year and during 2018 held a Board meeting at our Italian head office. This gave the Board the opportunity to meet the senior management teams and to gain a deeper understanding of the operations and performance of the Italian market. In June 2018, the Board held its annual two-day strategy meeting offsite in the UK to set and monitor progress against the Group's strategic plan.

Board and Committee meetings attendance during 2018

Number of meetings held ¹	Board ¹ 14	Audit Committee 7	Governance Committee 4	Nomination Committee 3	Remuneration Committee 7	Risk Committee 5
Executive Chairman (interim)						
Sir Adrian Montague ²	14/14	—	—	3/3	—	—
Executive Directors						
Mark Wilson ³	11/11	—	—	—	—	—
Tom Stoddard	14/14	—	—	—	—	—
Andy Briggs	14/14	—	—	—	—	—
Maurice Tulloch	14/14	—	—	—	—	—
Non-Executive Directors						
Glyn Barker ^{4,6}	12/14	7/7	4/4	3/3	6/7	5/5
Patricia Cross ⁵	14/14	6/7	—	3/3	7/7	—
Belén Romana García ⁴	13/14	—	4/4	3/3	—	5/5
Michael Hawker ^{4,7}	13/14	7/7	—	3/3	—	5/5
Michael Mire	14/14	—	4/4	3/3	7/7	5/5
Claudia Arney ⁶	14/14	—	4/4	3/3	6/7	5/5
Keith Williams	14/14	7/7	4/4	3/3	—	5/5

1 During the year there were 14 Board meetings, of which 9 were scheduled meetings and 5 were called at short notice. In addition, there were two further Board sub-committee meetings held at short notice and attended by the Chairman and the NEDs.

2 Sir Adrian Montague assumed executive responsibilities on 9 October 2018 immediately after Mark Wilson stepped down as Group CEO. He reverted to the role of Non-Executive Chairman upon appointment of the new Chief Executive Officer on 4 March 2019.

3 Mark Wilson stepped down as the Chief Executive Officer of the Group on 9 October 2018.

4 The Board meeting on 22 March 2018 was called at short notice and, due to this, Glyn Barker, Michael Hawker, and Belén Romana García were unable to attend due to other prior commitments. The Board meeting on 8 October 2018 was also called at short notice and due to this Glyn Barker was unable to attend due to other prior commitments. Papers were circulated to all directors before the meetings and those unable to attend could raise issues and give comments to the Chairman in advance of the meetings taking place.

5 Patricia Cross was unable to attend the Audit Committee meeting on 8 May 2018 due to medical reasons.

6 Claudia Arney was unable to attend the Remuneration Committee meeting on 2 October 2018, and Glyn Barker was unable to attend the Remuneration Committee meeting on 6 October 2018, both due to other prior commitments as the meetings were called at short notice.

7 Michael Hawker will retire from the Board of Aviva on 31 March 2019.

Board priorities

The Board made solid progress during 2018 on a number of the objectives set at the beginning of the year. These included the execution of capital management strategies to reduce expensive subordinated debt; the buy-back of £600m of ordinary shares and further increase in value for our shareholders by implementing the fourth consecutive year of double digit dividend growth. Succession planning was also a focus of activity in relation to the departure of Mark Wilson and the identification of a new Group CEO.

The Board continued to monitor customer metrics to ensure that we deliver on our purpose to Defy Uncertainty through our comprehensive product offering and customer service. The Board also engaged, challenged and worked with management when the Group did not meet our customer and stakeholder expectations, such as in the migration of some of our digital platforms to a new vendor system.

Consistent with our Digital First ambition and linking to our customer agenda, in October 2018 we launched Blue, our Hong Kong digital insurance joint venture together with Hillhouse Capital and Tencent Holdings Limited. These items were in addition to the Board's routine standing agenda which includes financial reporting and strategic planning.

During the year, the Board was supported by the Evolution Council, made up of high calibre developing leaders from across the business, which provided insights from an employee perspective on digital, brand and customer.

During 2019, the Board's agenda will focus on further orientating the organisation towards our customers, embedding our new CEO, continuing to evolve our strategy and simplifying our IT estate. The Board will continue to drive progress to achieve consistently excellent customer service and a comprehensive product offering that meets customers' evolving needs. Digital First will remain our preferred approach, for example through our new AvivaPlus proposition. We will continue to monitor our risks and controls around IT and Cyber Security, the operational impact of Brexit, and developments in our IT platforms that will simplify and support digitising our service delivery to customers. Offsite strategy days are used to set, and reflect on progress against the Company's strategy. In these sessions the Board discusses the strategic priorities for the year ahead and sets the three-year strategic plan and these sessions will continue to occur in 2019.

The Audit, Governance and Risk Committees will continue to consider the opportunities and risks associated with each market and the Remuneration Committee will assess any consequential impact on reward decisions. As part of our employee engagement commitments, the Board will continue to interact with the Evolution Council, 'Your Forum', and other employee forums and to carefully consider and respond to the annual all-employee survey, 'Voice of Aviva'. Succession planning and the continued development of the talent pipeline will continue to be a focus for both the Board and the Nomination Committee.

Board evaluation

The effectiveness of the Board is vital to the success of the Group. The Board undertakes a rigorous evaluation process each year to assess how it, its committees and individual directors are performing. During 2017, an external evaluation was conducted, with a series of outcomes reported during 2018. A follow up external evaluation was conducted in 2018, with the outcomes reported in 2019. Both external evaluations were facilitated by Independent Board Evaluation (IBE). IBE is an external board evaluation facilitator which has no other connection with Aviva. Although the 2016 Code only requires an externally facilitated evaluation every three years, the Board considered that an externally facilitated evaluation in 2018 would support its strategic thinking, and further

develop its effectiveness. Interviews were conducted with every Board member, according to a set agenda tailored for the Board, which had been agreed with the Chairman and the Group Company Secretary. In addition, interviews were held with senior managers and advisers. Following the final report, recommendations were considered by the Board and shared with each committee, and a further action plan for areas of focus was agreed. The 2018 actions are outlined in the table below. These will be reviewed during 2019.

In addition, during the year the NEDs, led by the Chairman, met to discuss the executives' performance. The NEDs, led by the SID Glyn Barker, also met without the Chairman present to consider the Chairman's performance.

Outcomes and steps taken in 2018

Focus area	Theme	Feedback/actions
Strategic focus	Focussing on strategic themes and incorporating investors' input	The Board prioritised discussions on strategy during 2018 and held in depth strategy discussions in June and September. The Board undertook an investor survey to garner investor thoughts and feedback. This feedback was incorporated into Board discussions on strategy and into the areas of focus for the Board during the year.
Succession planning	Board and executive level succession planning	The identification of Maurice Tulloch as our new Group CEO built on the succession planning work carried out by the Board in previous years. The Board also considered ways in which a pipeline of suitable candidates for executive and non-executive directorships could be maintained and enhanced, and refreshed and strengthened its NED succession framework during the year.
Governance	Developing the relationship between Aviva plc and subsidiary boards	The annual Chairman's conference was held in November 2018, allowing the Board to engage with subsidiary company board members. The appointment of Non-Executive Directors from the Board to the Group's material subsidiaries has strengthened communications and strategic linkages between Group companies. During the course of the year, the Board received reports and deep dives into different business areas and markets and held a Board meeting in Italy to get a greater insight into the Italian business and to meet with the Italian board. A number of Aviva plc directors also attended subsidiary board meetings.
International focus	Strategic priorities	The Board has enhanced its focus on its international markets through business unit presentations from key international markets and visits to offices outside the UK. This was supported by Maurice Tulloch's appointment to the Board in June 2017.
Culture	Diversity and inclusion	The Board is committed to playing a leading role in maintaining a culture which values diversity and inclusion throughout the Group. It uses information from the Voice of Aviva all-employee engagement survey, input from the Evolution Council and from NED participation in the 'Your Forum' employee forum to increase insight into our Group's culture. The Board monitors closely feedback from the Group employee survey and the progress of culture development programmes.

Our stakeholders

The Board understands that the long-term sustainable success of Aviva is dependent on effective engagement with our key stakeholders. We recognise the role that each stakeholder group plays in our success and our responsibilities towards them. Building strong stakeholder engagement mechanisms, based on dialogue and participation, is a foundational part of our social 'licence to operate.' The table below identifies those key stakeholders and sets out how the Board engages with them.

Our stakeholders	Why they are important to us	How are we engaging
Customers	Our customers are the users of our products and services and are those who we support to 'Defy Uncertainty.' We serve customers in our eight major markets and in other jurisdictions where we have strategic investments.	The Board received two formal presentations on customer issues during the year and focused on customer issues during the Board's strategy offsite meetings. The Governance Committee, working in support of the Board, considers customer matters at every meeting to ensure a consistent and deep focus on the customer experience and on customer issues. As noted in the Directors' Remuneration Report, customer measures have been introduced into the annual bonus element of executive directors' pay, to further encourage a more customer centric approach. As a business we conduct extensive direct customer testing and during 2019 the Board has made the customer a priority area of focus.
Our people	Our people are essential to meeting our purpose to help our customers to Defy Uncertainty and deliver simple, innovative and customer centric products and services.	The Board engages with our people in several ways. The Board receives regular updates on the culture and engagement of our employees. We have a fully elected employee forum 'Your Forum' representing UK and European employees, which meets with one of our Non-Executive Directors annually. We also have the 'Evolution Council,' made up of high calibre developing leaders from across the business, that provides insight on digital, brand and strategy. The Executive Chairman chairs all meetings of the Evolution Council and two other Non-Executive Directors have also attended meetings. We also engage with our people through forums such as 'Uncut', unscripted Q&A sessions with senior managers streamed live, and a programme of town hall meetings.
Business partners/suppliers	Our business suppliers and partners provide us with the tools and services we need to deliver for our customers.	Our Procurement function conducts supplier surveys and supports a programme of supplier engagement, some of which is linked to our annual statement on Modern Slavery. During 2019 the Board will continue to review this engagement activity.
Shareholders	Our shareholders are the ultimate owners of the Company and are involved with certain stewardship activities.	The Board meets with shareholders at the Annual General Meeting which provides an opportunity, predominantly for our retail shareholders, to engage directly with the Board. The Chairman and Executive Directors have a programme of meetings with institutional investors during the year. The Board also receives weekly reports from the Investor Relations team and briefings from our corporate brokers on investor views.
Regulators	Aviva is subject to financial services regulations in all the markets it operates and requires regulatory approval to operate.	Aviva is subject to close and continuous supervision from its regulators. This includes a programme of regular meetings between Board members and our regulators.
Communities	Aviva approaches business in a responsible and sustainable way that aligns with our purpose and values and supports the communities in which we operate.	The Board receives regular updates on our community activities, such as our partnership with the Red Cross, and the establishment of the Aviva Foundation. The Governance Committee supports the Board in this area and approves the corporate responsibility strategy for the Group and oversees the implementation of that strategy.

Employee engagement

The 2018 Code, which Aviva will report against in our 2019 Annual report and accounts, sets out three ways in which companies can engage with the workforce. The Board will consider its approach during the year and currently the company is applying a hybrid arrangement. This consists of engagement with 'Your Forum', our workforce engagement forum, which is supplemented by attendance from Non-Executive Directors where appropriate. The Evolution Council provides a further employee engagement forum and is also attended by Board members. This enables the Board attendees to share output from these employee bodies with the wider Board and provide feedback to the Your Forum and Evolution Council. In addition to these arrangements the Board meets with employees at 'Talent Breakfasts' and regularly conducts business unit meetings to engage with a wider pool of employees.

Committee effectiveness

As part of the Board effectiveness review process, each committee considers the feedback from the Board evaluation exercise and develops an action plan as appropriate.

Frameworks for risk management and internal control

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, as well as taking account of other stakeholders including employees and customers. This includes ensuring that an appropriate system of risk governance is in place throughout the Group. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' model and reserves for itself the setting of the Group's risk appetite. Further details are contained on the following pages.

In-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Group's operations is delegated to the Risk, Governance and Audit Committees which report regularly to the Board. However, the Board retains ultimate responsibility for the Group's systems of internal control and risk management and has reviewed their effectiveness for the year. The frameworks for risk management and internal control play a key role in the management of risks that may impact the fulfilment of the Board's objectives. They are designed to identify and manage, rather than eliminate, the risk of the Group failing to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement and loss. The frameworks are regularly reviewed and were in place for the financial year under review and up to the date of this report. They help ensure the Group complies with the Financial Reporting Council's (FRC) guidance on Risk Management, Internal Controls and Related Financial and Business Reporting.

A robust assessment was conducted by the Board of the principal risks facing the Company, including consideration by the Risk Committee of those emerging risks that could impact the Group's business model, future performance, solvency and liquidity. In 2018 the Risk Committee reviewed a number of emerging risk scenarios and focused on Brexit (regular updates), systemic cloud risk and 'silent cyber', competitive threats from technology companies entering the insurance market, risks posed by climate change, outsourcing supplier collapse risk and other emerging risks and sources of market uncertainty. Further information is contained in the Risk Committee report.

Risk management framework

The Risk Management Framework (RMF) is designed to identify, measure, manage, monitor and report the principal risks to the achievement of the Group's business objectives and is embedded throughout the Group. It is codified through risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements and controls for the Group's worldwide operations. Further detail is set out in note 59.

Internal controls

Internal controls facilitate effective and efficient operations, the development of robust and reliable internal reporting and compliance with laws and regulations. Group reporting manuals in relation to IFRS and Solvency II reporting requirements and a Financial Reporting Control Framework (FRCF) are in place across the Group. FRCF relates to the preparation of reliable financial reporting, covering both IFRS and Solvency II reporting activity. The FRCF process follows a risk-based approach, with management identification, assessment (documentation and testing), remediation (as required), reporting and certification over key financial reporting related controls. Management regularly undertakes quality assurance procedures over the application of the FRCF process and controls.

In 2018, the Group was focused on reinforcing its operational resilience by driving major control improvements in a number of areas, including continued investment in the Group's IT estate, disaster recovery capability and the strengthening of its cyber security controls. This work will continue through 2019. More broadly, the Group seeks to continue to monitor and further enhance its control frameworks across the business, including financial crime prevention and data privacy. Further information can be found in the Audit and Risk Committee reports.

First line – management monitoring

The Group Executive members and each market Chief Executive Officer are responsible for the application of the RMF, for implementing and monitoring the operation of the system of internal control and for providing assurance to the Audit, Governance and Risk Committees and the Board.

Second line – risk management, compliance and actuarial functions

The Risk Management function is accountable for the quantitative and qualitative oversight and challenge of the identification, measurement, monitoring and reporting of principal risks and for developing the RMF.

The Actuarial function is accountable for the Group wide actuarial methodology, reporting to the relevant governing body on the adequacy of reserves and capital requirements, as well as underwriting and reinsurance arrangements. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks. It is accountable for maintaining the compliance standards and framework within which the Group operates, and monitoring and reporting on its compliance risk profile.

Third line – internal audit

The third line of defence is Internal Audit. This function provides independent and objective assessment on the robustness of the RMF and the appropriateness and effectiveness of internal control to the Audit, Governance and Risk Committees, market audit committees and the Board. Further information can be found in the Audit Committee report.

The principal committees that oversee risk management are as follows

The Risk Committee	The Governance Committee	The Audit Committee
<p>Assists the Board in its oversight of risk and risk management across the Group and makes recommendations on risk appetite to the Board. Reviews the effectiveness of the Risk Management Framework, and the methodology in determining the Group's capital and liquidity requirements. Ensures that risk management is properly considered in setting remuneration policy.</p>	<p>Works closely with the Risk Committee and is responsible for assisting the Board in its oversight of operational risk across the Group, particularly the risk of not delivering good customer outcomes and compliance with our corporate governance principles.</p>	<p>Works closely with the Risk Committee and is responsible for assisting the Board in discharging its responsibilities for the integrity of the Company's financial statements, the effectiveness of the system of internal controls and for monitoring the effectiveness, performance and objectivity of the internal and external auditors.</p>

Board oversight of risk management

The Board's delegated responsibilities regarding oversight of risk management and the approach to internal controls are set out on the previous pages. There are good working relationships between the Board committees and they provide regular reports to the Board on their activities and escalate significant matters where appropriate. The responsibilities and activities of each Board committee are set out in the committee reports.

Assessment of effectiveness of risk management

Each business unit Chief Executive Officer and Chief Risk Officer is required to make a declaration that the Group's governance and system of internal controls are effective and are fit for purpose for their business and that they are kept under review through the year.

Any material risks not previously identified, control weaknesses or non-compliance with the Group's risk policies or local delegations of authority must be highlighted as part of this process. This is supplemented by investigations carried out at Group level and a Group CEO and CRO declaration for Aviva plc.

The effectiveness assessment also draws on the regular cycle of assurance activity conducted during the year, as well as the results of the annual assessment process. During 2018, this has been supported by the application of the Group's Operational Risk & Control Management framework. Through this the Group has defined a common system and methodology for the management of operational risks and the controls to be deployed throughout the Group. This framework includes tools, processes and standardised reporting necessary to identify, measure, manage, monitor and report on the operational risks to which the business is, or could be, exposed and the controls in place to mitigate those risks within centrally set tolerances. The details of key failings or weaknesses are reported to the Audit Committee and the Board on a regular basis and are summarised annually to enable them to carry out an effectiveness assessment.

The Audit Committee, working closely with the Risk Committee on behalf of the Board, carried out a full review of the effectiveness of the systems of internal control and risk management in March 2018 covering all material controls, including financial, operational and compliance controls and the Risk Management Framework (RMF). There has been regular reporting to the committee throughout the year to ensure that outstanding areas of improvement are both identified and remediated. Whilst there has been substantial progress during the year there remains a number of areas where significant work is still required. The reports to the committee refer to the need to embed controls in a number of areas and the need to make significant improvement in areas which represent key aspects of the Group's control environment, such as cyber security, IT resilience and disaster recovery, as well as financial crime prevention, data management, UK Insurance complaints management (including data migrations) and ongoing improvements in Canada. The Audit Committee on behalf of the Board will continue to monitor progress throughout 2019.

The risk management framework of a small number of our joint ventures and strategic equity holdings differs from the RMF outlined in this report. We continue to work with these entities to understand how their risks are managed and to align them, where possible, with our framework.

Communication with shareholders

The Company places considerable importance on communication with shareholders. The Executive Directors have an ongoing dialogue and a programme of meetings with institutional investors, fund managers and analysts which are managed by the Company's Investor Relations function. The Chairman met a number of the Company's major shareholders during 2018. At these meetings a range of issues were discussed within the constraints of information already made public, to understand shareholders' perspectives. Shareholders' views are regularly communicated to the Board through the Group CEO's, or Executive Chairman's, and CFO's reports and weekly briefings from the corporate brokers and the Investor Relations function. The SID was available to meet with major investors to discuss any concerns that could not be resolved through normal channels.

2019 AGM

The 2019 AGM will be held on Thursday 23 May 2019 and the Notice of AGM and related papers will, unless otherwise noted, be sent to shareholders at least 20 working days before the meeting. The AGM provides a valuable opportunity for the Board to communicate with private shareholders. All serving directors attended the Company's 2018 AGM, and plan to attend the 2019 AGM. A presentation on the Group's performance will be given at the 2019 AGM and made available on the Company's website after the meeting at www.aviva.com/agm.

Shareholders are invited to ask questions related to the business of the meeting at the AGM and have an opportunity to meet with the directors following the conclusion of the meeting. Further details on the AGM are provided in the Shareholder Services section of this report.