Directors' Remuneration Policy

Our Remuneration Policy was approved by shareholders at our AGM on 10 May 2018 and will apply for a period of up to three years. The full and definitive Policy is therefore set out in our 2017 Annual Report, which can be found on our website at https://www.aviva.com/investors/annual-report-2017/

The following section reproduces the Policy for convenience, although the original Policy referred to above remains our formally approved Policy and should be consulted where this is required. In addition, we have taken the opportunity to update the scenario charts to reflect 2019 remuneration arrangements for our EDs, as well as appointment end dates for NEDs.

Alignment of Group strategy with executive remuneration

The Committee considers that alignment between Group strategy and the remuneration of its EDs is critical. Our Remuneration Policy provides market competitive remuneration, and incentivises EDs 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 EDs' interests with 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.

Table 22 below provides an overview of the Policy for EDs. For an overview of the Policy for NEDs, see table 24.

22 Key aspects of the Remuneration Policy for Executive Directors

Element		
Basic salary	**Purpose** To provide core market related pay to attract and retain the required level of talent. **Operation** Annual review, with changes normally taking effect from – 1 April each year. The review is informed by: • Individual and business performance • Levels of increase for the broader employee population • Relevant pay data including market practice among relevant FTSE listed companies of comparable size to Aviva in terms of market capitalisation, large European and global insurers, and UK financial services companies	**Maximum opportunity** There is no maximum increase within the Policy. However, basic salary increases take account of the average basic salary increase awarded to the broader employee population. Different levels of increase may be agreed in certain circumstances at the Committee's discretion, such as: • An increase in job scope and responsibility • Development of the individual in the role • A significant increase in the size, value or complexity of the Group **Assessment of performance** Any movement in basic salary takes account of the performance of the individual and the Group.
Annual bonus	**Purpose** To reward EDs for achievement against the Company's strategic objectives and for demonstrating the Aviva values and behaviours. Deferral provides alignment with shareholder interests and aids retention of key personnel. **Operation** Awards are based on performance in the year. Targets are set annually and pay-out levels are determined by the Committee based on performance against those targets and a quality of earnings assessment and risk review. **Form & timing of payment** • One-third of any bonus is payable in cash at the end of the year • Two-thirds of any bonus awarded is deferred into shares which vest in three equal annual tranches Additional shares are awarded at vesting in lieu of dividends paid on the deferred shares. **Malus and clawback** Cash and deferred awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.	**Maximum opportunity** 200% of basic salary for Group CEO 150% of basic salary for other EDs **Outcome at threshold and on target** Performance is assessed against multiple metrics. Threshold performance against a single metric would result in a bonus payment of no more than 25% of basic salary. 100% of basic salary is payable for on target performance. **Assessment of performance** Performance is assessed against a range of relevant financial, employee, customer and risk targets designed to incentivise the achievement of our strategy, as well as individual strategic objectives as set by the Committee. Although financial performance is the major factor in considering overall expenditure on bonuses, performance against non-financial measures including progress towards our strategic priorities and behaviours in line with our values will also be taken into consideration. **Discretion** The Committee has discretion to amend vesting levels to prevent unreasonable outcomes, which it may use taking into account a range of factors, including the management of risk and good governance and, in all cases, the experience of shareholders.

Element

Long-term incentive plan

Purpose
To reward EDs for achievement against the Company's longer-term objectives; to align EDs' interests with those of shareholders and to aid the retention of key personnel and to encourage focus on long-term growth in enterprise value.

Operation
Shares are awarded annually which vest dependent on the achievement of performance conditions. Vesting is subject to an assessment of quality of earnings, the stewardship of capital and risk review.

Performance period
Three years. Additional shares are awarded at vesting in lieu of dividends on any shares which vest.

Additional holding period
Two years.

Malus and clawback
Awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.

Maximum opportunity
350% of basic salary.

Performance measures
Awards will vest based on a combination of financial, strategic and TSR performance metrics. For the 2018 awards the measures and weightings will be:

- 50% Operating EPS[1] growth subject to two gateway hurdles – RoE[1] and Solvency II shareholder cover ratio[1]
- 50% TSR against a comparator group

The financial metric combined with TSR will be a minimum of 80% of the total LTIP award. If, in subsequent years, shareholders indicate support for strategic measures, the Policy will allow for up to 20% of the LTIP to be awarded on the basis of strategic measures and this will be fully disclosed in the DRR.

Vesting at threshold
20% of award for each performance measure.

Discretion
The Committee has discretion to amend vesting levels to prevent unreasonable outcomes, which it may use taking into account a range of factors, including the management of risk and good governance and, in all cases, the experience of shareholders.

Pension

Purpose
To give a market competitive level of provision for post retirement income.

Operation
EDs are eligible to participate in a defined contribution plan up to the annual limit.

Any amounts above annual or lifetime limits are paid in cash.

Maximum opportunity
If suitable employee contributions are made, the Company contributes:

- 20% of basic salary for new ED appointments
- 28% of basic salary for existing EDs (into pension or paid as cash as applicable)

Benefits

Purpose
To provide EDs with a suitable but reasonable package of benefits as part of a competitive remuneration package. This involves both core executive benefits, and the opportunity to participate in flexible benefits programmes offered by the Company (via salary sacrifice).

This enables us to attract and retain the right level of talent necessary to deliver the Company's strategy.

Operation
Benefits are provided on a market related basis. The Company reserves the right to deliver benefits to EDs depending on their individual circumstances, which may include a cash car allowance, life insurance, private medical insurance and access to a company car and driver for business use. In the case of non-UK executives, the Committee may consider additional allowances in line with standard relevant market practice.

EDs are eligible to participate in the Company's broad based employee share plans on the same basis as other eligible employees.

Maximum opportunity
Set at a level which the Committee considers appropriate against comparable roles in companies of a similar size and complexity to provide a reasonable level of benefit.

Costs would normally be limited to providing a cash car allowance, private medical insurance, life insurance, and reasonable travel benefits (including the tax cost where applicable). In addition, there may be one-off or exceptional items on a case by case basis, which would be disclosed in the DRR.

Relocation and mobility

Purpose
To assist with mobility across the Group to ensure the appropriate talent is available to execute strategy locally.

Operation
Employees who are relocated or reassigned from one location to another receive relevant benefits to assist them and their dependants in moving home and settling in-to the new location.

Maximum opportunity
Dependent on location and family size, benefits are market related and time bound. They are not compensation for performing the role but to defray costs of a relocation or residence outside the home country.

The Committee would reward no more than it judged reasonably necessary, in the light of all applicable circumstances.

Shareholding requirements

Purpose
To align EDs' interests with those of shareholders.

Operation
A requirement to build a shareholding in the Company equivalent to 300% of basic salary for the Group CEO and 200% of basic salary for other EDs.

This shareholding is normally to be built up over a period not exceeding 5 years (subject to the Committee's discretion where personal circumstances dictate).

1 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other information' section of the annual report and accounts.

Notes to the table:

Performance measures

For the annual bonus, performance measures are chosen to align to some of the Group's KPIs and include financial, strategic, risk, employee and customer measures. Achievement against individual strategic objectives is also taken into account.

LTIP 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 performance that significantly exceeds expected performance under both the annual bonus and the LTIP.

Quality of Earnings assessments

Throughout the year, the Committee engages in a regular quality of earnings assessment. A quality of earnings assessment sign-off is the final step in determining annual bonus scorecard outcomes, and in making decisions on LTIP vesting. This sign-off is undertaken before decisions are made on the modifiers for risk, customer and employee engagement under the annual bonus, and before vesting is determined against financial metrics under the LTIP.

As a minimum, at any Committee meeting where LTIP vesting or annual bonus scorecard decisions are considered, the Chief Accounting Officer prepares a report to the Committee on the quality of earnings reflected in the results being assessed, against performance targets. Extensive information from the audited accounts is used to explain the vesting and scorecard outcomes – ranging from movements in reserves, capital management decisions, consistency of accounting treatment and period to period comparability. The Chief Accounting Officer attends the Committee meeting to answer any questions that any member of the Committee may choose to ask. Any vesting decision or confirmation of awards is made after this process has been undertaken.

Malus and Clawback

The circumstances when malus (the forfeiture or reduction of unvested shares awarded under the Annual Bonus Plan (ABP) and LTIP) and clawback (the recovery of cash and share awards after release) may apply include (but are not limited to) where the Committee considers that the employee concerned has been involved in or partially/wholly responsible for:

- A materially adverse misstatement of the Company's financial statements, or a misleading representation of performance;
- A significant failure of risk management and/or controls;
- A scenario or event which causes material reputational damage to the Company;
- Misconduct which, in the opinion of the Committee, ought to result in the complete or partial lapse of an award;
- Conduct which resulted in significant loss(es);
- Failure to meet appropriate standards of fitness and propriety;
- Any other circumstance required by local regulatory obligations.

The clawback period runs for two years from the date of payment in the case of the cash element of any annual bonus award.

For deferred bonus elements and LTIP awards, the overall malus and clawback period is five years from the date of grant.

Discretions

The discretions the Committee has in relation to the operation of the ABP and LTIP are set out in the plan rules. These include (but are not limited to) the ability to set additional conditions (and the discretion to change or waive those conditions). In relation to the LTIP and in accordance with its terms, the Committee has discretion in relation to vesting and to waive or change a performance condition if anything happens which causes the Committee reasonably to consider it appropriate to do so. Such discretions would only be applied in exceptional circumstances, to ensure that awards properly reflect underlying business performance. Any use of the discretions and how they were exercised will be disclosed, where relevant, in the DRR and, where appropriate, be subject to consultation with Aviva's shareholders.

Change in control

In the event of a change in control, unless a new award is granted in exchange for an existing award, or if there is a significant corporate event like a demerger, awards under the LTIP would normally vest to the extent that the performance conditions have been satisfied as at the date of the change in control, and unless the Committee decides otherwise, would be pro-rated to reflect the time between the start of the performance period and the change in control event. Awards under the ABP would normally vest on the date of the change in control and may vest if there is a significant corporate event.

Consistency of executive Policy across the Group

The Policy for our EDs is designed as part of the remuneration philosophy and principles that underpin remuneration for the wider Group. Remuneration arrangements for employees below the EDs take account of the seniority and nature of the role, individual performance and local market practice. The components and levels of remuneration for different employees may therefore differ from the Policy for EDs. Any such elements are reviewed against market practice and approved in line with internal guidelines and frameworks.

Differentiation in reward outcomes based on performance and behaviour that is consistent with the Aviva values is a feature of how Aviva operates its annual bonus plan for its senior leaders and managers globally. A disciplined approach is taken to moderation across the Company in order to recognise and reward the key contributors. The allocation of LTIP awards also involves strong differentiation, with expected contribution and ability to collaborate effectively in implementation of the strategy driving award levels.

Legacy payments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before May 2014 (the date the Company's first Policy came into effect), (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the Policy in force at the time they were agreed, or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Approach to recruitment remuneration

On hiring a new ED, the Committee would align the proposed remuneration package with the Policy in place for EDs at the time of the appointment.

In determining the actual remuneration for a new ED, the Committee would consider the package in totality, taking into account elements such as the skills and experience of the individual, local market benchmarks, remuneration practice, and the existing remuneration of other senior executives. The Committee would ensure any arrangements agreed would be in the best interests of Aviva and its shareholders. It would seek not to pay more than necessary to secure the right candidate.

Where considered appropriate the Committee may make awards on hiring an external candidate to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee would take account of relevant factors including any performance conditions attached to these awards, the form in which it was paid (e.g. cash or shares) and the timeframe of awards. Buyout awards would be awarded on a 'like for like' basis compared to remuneration being forfeited, and would be capped to reflect the value being forfeited. The Committee considers that a buyout award is a significant investment in human capital by Aviva, and any buyout decision will involve careful consideration of the contribution that is expected from the individual.

The maximum level of variable pay which could be awarded to a new ED, excluding any buyouts, would be in line with the Policy set out above and would therefore be no more than 550% of basic salary for the Group CEO (200% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant) and 500% of basic salary for other EDs (150% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant).

All other elements of remuneration will also be in line with the Policy set out above.

Should the Company have any prior commitments outside of this Policy in respect of an employee promoted internally to an ED position, the Committee may continue to honour these for a period of time. Where an ED is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an ED is appointed following Aviva's acquisition of, or merger with, another company, legacy terms and conditions may be honoured.

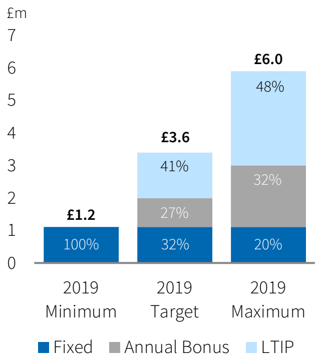
On appointing a new NED, the Committee would align the remuneration package with the Policy for NEDs, outlined in table 24, including fees and travel benefits.

Illustration of the Policy

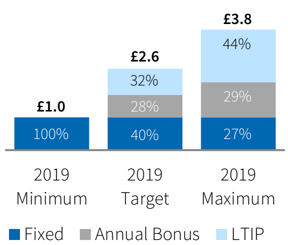
The charts below illustrate how much EDs could earn under different performance scenarios in one financial year:

- Minimum – basic salary, pension or cash in lieu of pension and benefits, no bonus and no vesting of the LTIP
- Target – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 100% and an LTIP of 300% of basic salary (with notional LTIP vesting at 50% of maximum) for the Group CEO; and
  - A bonus of 100% and an LTIP of 225% of basic salary (with notional LTIP vesting at 50% of maximum) for the CFO and CEO UKI.
- Maximum – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 200% and an LTIP of 300% of basic salary (with notional LTIP vesting at maximum) for the Group CEO; and
  - A bonus of 150% and an LTIP of 225% of basic salary (with notional LTIP vesting at maximum) for the CFO and CEO UKI.

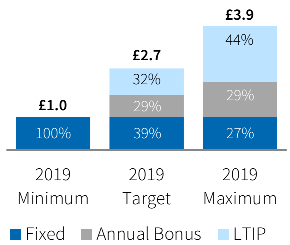
Maurice Tulloch
Potential earnings
by pay element



Tom Stoddard
Potential earnings
by pay element



Andy Briggs
Potential earnings
by pay element



Notes to the charts
Fixed pay consists of basic salary, pension as described in Table 22, and estimated value of benefits provided under the Remuneration Policy, excluding any one offs. Actual figures may vary in future years.
The value of the LTIP and deferred element of the annual bonus assumes a constant share price and does not include additional shares awarded in lieu of dividends that may have been accrued during the vesting period.
LTIP as awarded in 2019.

Employment contracts and letters of appointment

ED employment contracts and NED letters of appointment are available for inspection at the Company's registered office during normal hours of business, and at the place of the Company's 2019 AGM on 23 May from 10.45am until the close of the meeting.

The key employment terms and conditions of the current EDs, and those who served during the year, as stipulated in their employment contracts, are set out in the table below.

23 Executive Directors' key conditions of employment

Provision	Policy	
Notice period		
By the ED	6 months.	
By the Company	12 months, rolling. No notice or payment in lieu of notice to be paid where the Company terminates for cause.	
Termination Payment	Pay in lieu of notice up to a maximum of 12 months' basic salary. Any payment is subject to phasing and mitigation requirements. An ED would be expected to mitigate the loss of office by seeking alternative employment. Any payments in lieu of notice would be reduced, potentially to zero, by any salary received from such employment.	
Remuneration and Benefits	The operation of the annual bonus and LTIP is at the Company's discretion.	
Expenses	Reimbursement of expenses reasonably incurred in accordance with their duties.	
Car Allowance	In the case of Tom and Andy, a cash car allowance is received, as varied from time to time.	
Holiday entitlement	30 working days plus public holidays.	
Private medical insurance	Private medical insurance is provided for the ED and their family. The ED can choose to opt out of this benefit or take a lower level of cover. However, no payments are made in lieu of reduced or no cover.	
Other benefits	Other benefits include participation in the Company's staff pension scheme, life insurance and, where applicable, access to a Company car and driver for business related use.	
Sickness	In the case of Tom and Andy, 100% of basic salary for 52 weeks, and 75% thereafter for a further 52 weeks. In the case of Maurice, 100% of salary for the first 52 weeks, and 50% thereafter for a further five years.	
Non-compete	During employment and for six months after leaving (less any period of garden leave) without the prior written consent of the Company.	
Contract dates	**Director**	**Date current contract commenced**
	Maurice Tulloch	4 March 2019
	Tom Stoddard	28 April 2014
	Andy Briggs	13 April 2015

Policy on payment for loss of office

There are no pre-determined ED special provisions for compensation for loss of office. The Committee has the ability to exercise its discretion on the final amount actually paid. Any compensation would be based on basic salary, pension entitlement and other contractual benefits during the notice period, or a payment made in lieu of notice, depending on whether the notice is worked.

Where notice of termination of a contract is given, payments to the ED would continue for the period worked during the notice period. Alternatively, the contract may be terminated and phased monthly payments made in lieu of notice for, or for the balance of, the 12 months' notice period. During this period, EDs would be expected to mitigate their loss by seeking alternative employment. Payments in lieu of notice would be reduced by the salary received from any alternative employment, potentially to zero. The Company would typically make a reasonable contribution towards an ED's legal fees in connection with advice on the terms of their departure.

There is no automatic entitlement to an annual bonus for the year in which loss of office occurs. The Committee may determine that an ED may receive a pro-rata bonus in respect of the period of employment during the year loss of office occurs based on an assessment of performance. Where an ED leaves the Company by reason of death, disability or ill health, or any other reason determined by the Committee, there may be a payment of a pro rata bonus for the relevant year at the discretion of the Committee.

The treatment of leavers under the ABP and LTIP is determined by the rules of the relevant plans. Good leaver status under these plans would be granted in the event of, for example, the death of an ED. Good leaver status for other leaving reasons is at the discretion of the Committee, taking into account the circumstances of the individual's departure, but would typically include planned retirement, or their departure on ill health grounds. In circumstances where good leaver status has been granted, awards may still be subject to malus and clawback in the event that inappropriate conduct of the ED is subsequently discovered post departure. If good leaver status is not granted, all outstanding awards will lapse.

In the case of LTIPs, where the Committee determines EDs to be good leavers, vesting is normally based on the extent to which performance conditions have been met at the end of the relevant performance period, and the proportion of the award that vests is pro-rated for the time from the date of grant to final date of service (unless the Committee decides otherwise). Any decision not to apply this would only be made in exceptional circumstances, and would be fully disclosed. It is not the practice to allow such treatment.

Consideration of wider employee pay and shareholder views

When determining the Policy and arrangements for our EDs, the Committee considers:

- Pay and employment conditions elsewhere in the Group to ensure that pay structures are suitably aligned and that levels of remuneration remain appropriate. The Committee reviews levels of basic salary increases for other employees and executives based in their respective locations. It reviews changes in overall bonus pool funding and long-term incentive grants. The Committee considers feedback on pay matters from sources including the employee opinion survey and employee forums. The Committee also takes into account information provided by the people function and external advisers and the Committee Chair has in place a programme of consultation and meetings with employee forums including the Evolution Council and Your Forum to discuss remuneration.
- In its ongoing dialogue with shareholders, the Committee seeks shareholder views and takes them into account when any significant changes are being proposed to remuneration arrangements and when formulating and implementing the Policy.

Non-Executive Directors

The table below, sets out details of our Policy for NEDs.

24 Key aspects of the Policy for Non-Executive Directors

Element		
Chairman and NEDs' fees	**Purpose** To attract individuals with the required range of skills and experience to serve as a Chairman or as a NED. **Operation** NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. The Chairman receives a fixed annual fee. Fees are reviewed annually taking into account market data and trends and the scope of specific Board duties. NEDs are able to use up to 100 percent of their post-tax base fees to acquire shares in Aviva plc. The Chairman and NEDs do not participate in any incentive or performance plans or pension arrangements and do not receive an expense allowance. NEDs are reimbursed for reasonable expenses, and any tax arising on those expenses is settled directly by Aviva. To the extent that these are deemed taxable benefits, they will be included in the DRR, as required.	**Maximum opportunity** The Company's Articles of Association provide that the total aggregate remuneration paid to the Chairman of the Company and NEDs will be determined by the Board within the limits set by shareholders and detailed in the Company's Articles of Association.
Chairman's Travel Benefits	**Purpose** To provide the Chairman with suitable travel arrangements for him to discharge his duties effectively.	The Chairman has access to a company car and driver for business use. Where these are deemed a taxable benefit, the tax is paid by the Company.
NED Travel and Accommodation	**Purpose** To reimburse NEDs for appropriate business travel and accommodation, including attending Board and committee meetings.	**Operation** Reasonable costs of travel and accommodation for business purposes are reimbursed to NEDs. On the limited occasions when it is appropriate for a NED's spouse or partner to attend, such as to a business event, the Company will meet these costs. The Company will meet any tax liabilities that may arise on such expenses.

The NEDs, including the Chairman of the Company, have letters of appointment which set out their duties and responsibilities. The key terms of the appointments are set out in table below.

25 Non-Executive Directors' key terms of appointment

Provision	Policy
Period	In line with the requirement of the Code, all NEDs, including the Chairman, are subject to annual re-election by shareholders at each AGM.
Termination	By the director or the Company at their discretion without compensation upon giving one month's written notice for NEDs and three months written notice for the Chairman of the Company.
Fees	As set out in table 20.
Expenses	Reimbursement of travel and other expenses reasonably incurred in the performance of their duties.
Time commitment	Each director must be able to devote sufficient time to the role in order to discharge his or her responsibilities effectively.

	Committee appointments					Appointment date[1]	Appointment end date[2]
Director	Nomination	Audit	Governance	Remuneration	Risk		
Sir Adrian Montague	C					14 January 2013	AGM 2019
Claudia Arney	✓		C	✓	✓	8 February 2016	AGM 2019
Glyn Barker	✓	✓	✓	✓	✓	27 February 2012	AGM 2019
Patricia Cross	✓	✓		C		1 December 2013	AGM 2019
Belén Romana García	✓		✓		✓	26 June 2015	AGM 2019
Michael Hawker	✓	✓			C	1 January 2010	31 March 2019
Michael Mire	✓		✓	✓	✓	12 September 2013	AGM 2019
Keith Williams	✓	C	✓		✓	1 August 2016	AGM 2019

Key
C Chair of Committee
✓ Committee
1 The dates shown above reflect the date the individual was appointed to the Aviva plc Board.
2 Appointment end dates are in accordance with letters of appointment, with the exception of Michael Hawker who is retiring from the board on 31 March 2019.