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Directors' and Corporate Governance report

The UK Corporate Governance Code

As a UK Premium Listed company, Aviva's governance framework is based on the 2018 UK Corporate Governance Code (the Code). The Code is publicly available at www.frc.org.uk. Details of how we have applied and complied with the Code during 2019 are set out in this report and the Directors' Remuneration report. The Strategic report also discloses information on how we have complied with the reporting requirements set out in the Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) on our engagement with our employees, suppliers, customers and other stakeholders. Also, in line with the Regulations, further information on how the directors have performed their Companies Act 2006 Section 172 duties is contained in the Strategic report.

The Board can confirm that the Company was compliant with the Code throughout the financial year under review, except for a period of non-compliance with Provision 9 of the Code from 9 October 2018 to 4 March 2019 when Sir Adrian Montague assumed the role of Executive Chairman. Following the appointment of Maurice Tulloch as Group Chief Executive Officer (Group CEO) on 4 March 2019, Sir Adrian reverted to his former position as Non-Executive Chairman.

Changes to the Board

There were several Board changes during 2019. Following an extensive and rigorous process which included a number of highly talented external and internal candidates, the Board unanimously agreed to appoint Maurice Tulloch as Group CEO on 4 March 2019. The Board believes that Maurice Tulloch's deep knowledge of Aviva's domestic and international businesses, combined with his vision for delivering enhanced shareholder returns through a relentless focus on the customer experience, make him uniquely well qualified to guide Aviva through the next phases in our development.

Two of our Executive Directors stepped down from their roles during the year to pursue opportunities outside the Group. Andy Briggs left Aviva on 24 April 2019 and was replaced as CEO UK Insurance by Angela Darlington on an interim basis. Following the separation of UKI into three separate divisions, General Insurance, Life and Investment, Savings and Retirement, Angela was confirmed as CEO UK Life with effect from 7 August 2019. Following the departure of Tom Stoddard as Group Chief Financial Officer (Group CFO) on 30 June 2019, and after a period as interim Group CFO, Jason Windsor, formerly CFO of UK Insurance, was appointed permanently to the role and also joined the Board of Directors on 26 September 2019. Jason Windsor joined Aviva in 2010 and has a broad range of experience, including as Chief Capital and Investments Officer, and as a member of the Aviva Leadership Team.

Four of our Non-Executive Directors retired from the Board during the year. In line with Provision 10 of the Code, Michael Hawker stepped down as a Non-Executive Director and as Chair of the Risk Committee after nine years' service on 31 March 2019. Belén Romana García was appointed Chair of the Risk Committee following Michael's retirement. Keith Williams retired from the Board at the conclusion of the Annual General Meeting on 23 May 2019 after being appointed Chair of Royal Mail Group plc. On 31 December 2019, and after eight years' service including two years as Senior Independent Director, Glyn Barker retired from the Board. Claudia Arney also retired on the

same date in order to focus on her other non-executive directorships. We would like to thank them all for their significant contributions to Aviva.

We were delighted to appoint three highly experienced Non-Executive Directors to the Board during the year. Patrick Flynn joined the Board as a Non-Executive Director and a member of the Board Audit, Risk and Nomination Committees on 16 July 2019. He became Chair of the Audit Committee on 4 November 2019. Patrick was previously Chief Financial Officer at ING and has also served as Chief Financial Officer of HSBC Insurance and as a Non-Executive Director on the boards of two listed former ING insurance companies.

George Culmer was appointed as a Non-Executive Director of the Company on 25 September 2019, and he also joined the Board Audit, Remuneration, Risk and Nomination Committees. Following the retirement of Glyn Barker, George was appointed as Senior Independent Director. George was previously Chief Financial Officer of Lloyds Banking Group and has held positions as Chief Financial Officer of RSA Insurance Group plc; Head of Capital Management of Zurich Financial Services and Chief Financial Officer of its UK operations.

Amanda Blanc joined the Board as a Non-Executive Director on 2 January 2020. She was formerly CEO at AXA UK & Ireland, and CEO, EMEA & Global Banking Partnerships at Zurich Insurance Group. Amanda is Chair of the Customer, Conduct and Reputation Committee (previously the Governance Committee) and is a member of the Risk and the Nomination and Governance Committees (previously the Nomination Committee).

On 21 January 2020 we announced that Sir Adrian Montague will retire as Chairman during 2020. He was appointed to the Board of Aviva in January 2013 and became Senior Independent Director in May 2013, and Chairman in April 2015.

The succession planning process to find the new Chairman is ongoing.

The Board

As at the date of this report the Board is comprised of the Non-Executive Chairman, two Executive Directors and six independent Non-Executive Directors (NEDs). 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 its 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

At Aviva, diversity encompasses a very wide range of factors, including but not limited to: gender; ethnicity; disability; sexual orientation; social background; and diversity of thought. Supporting and embracing diversity and inclusion, and valuing difference, are integral parts of our culture. The ways in which we seek to put into practice these values are set out in our Board Diversity and Inclusion Statement, which supports our Nomination Committee's approach to succession planning. This is closely linked to our Group-wide Global Inclusion and Diversity Strategy (Diversity Strategy), which sets out how we implement our policies to increase diversity and inclusion throughout the Group. Board diversity is monitored by the Nomination Committee which reviews the balance of skills, knowledge, experience and diversity of the Board and leads on

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succession planning for appointments to the Board and the senior executive team. Our Board skills matrix supports this approach enabling us to map the range of diversity of skills, knowledge and experience of the Board and link these to our strategy.

We have been committed to our target of having 33% of women on the Board by 2020, and we are pleased to have achieved this. We recognise that as a Board we have further to travel to reach our shared ambition that our Board composition should be fully reflective of the diversity of the customers we seek to serve, and we remain firmly committed to reaching that goal. Inclusion at Aviva is imperative not only because it's the right thing to do, but also because it will help us deliver the outcomes that our shareholders and other stakeholders expect us to achieve. Further detail can be found in the Nomination Committee report.

Board activities during 2019

Strategy and business plans

- Approved the revised strategic plans and purpose for the Aviva Group, which were announced during our Capital Markets Day on 20 November 2019
- Approved the proposed cost reduction plans to support the business to move towards better cost efficiency and a lean group centre
- Held an annual dedicated two-day offsite strategy session in June 2019, supplemented by further specific strategy sessions, to oversee the development and implementation of the Group's strategy

Oversight of risk and risk management

- Received and discussed reports from the Chief Risk Officer (CRO), and assessed the Group's significant risks and regulatory issues
- Approved the Group's risk appetite and risk policies which provide the risk framework for managing risk across the Group
- Reviewed the effectiveness, challenges and management action plans in relation to the Group's Operational Risk and Control Management Framework
- Reviewed the Group's strategy on climate related financial risk in line with regulatory requirements

Governance

- Discussed reports from Board committees and management on legislation and proposed consultations that affect or will affect the Group's legal and regulatory obligations, including the 2018 UK Corporate Governance Code (the Code)
- Reviewed and approved the revised Group Governance Framework
- Discussed and approved changes to the Board committee structure, and the repurposing of the Nomination Committee and the Governance Committee to the Nomination and Governance Committee and the Customer, Conduct and Reputation Committee respectively

Significant transactions and expenditure

- Approved financial matters in line with the Group Funding Plan, including capital injections where required into regulated subsidiaries, the redemption of the £210 million Step-Up Tier 1 Insurance Capital Securities (STICS) perpetual subordinated loan notes, and an asset reinsurance transaction

Financial reporting and controls, capital structure and dividend policy

- Discussed reports provided by the Group Chief Financial Officer (Group CFO) and by the Group's committees on key matters of financial reporting, providing the opportunity for the Board to input and challenge where necessary
- Monitored the Group's financial performance, financial results, approved dividend payments and the adoption of a progressive dividend policy

- Assessed the Group's capital and liquidity requirements, arising from the Group's strategy and Group Plan
- Approved the full year results and Annual report and accounts, and the half year results

People, culture, succession planning and Board effectiveness

- Oversaw the search process, reviewed candidates and approved the appointment of Maurice Tulloch as Group CEO and Jason Windsor as Group CFO following recommendations from the Nomination Committee
- Following recommendations from the Nomination Committee, approved the appointment of the three Non-Executive Directors to the Board during 2019
- Discussed the current Group culture, its alignment with strategy, and how it has been further strengthened during the year
- Reviewed the succession plan of the Board and approved the new Board succession planning process
- Undertook an evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors

Stakeholder engagement

In line with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, we report on our stakeholder engagement and other relevant matters in the 'Section 172 (1) and Our stakeholders' section of the Strategic report. This outlines how the Board has engaged with our principal stakeholder groups. The Board considers stakeholder engagement, including engagement with our workforce to be a matter of strategic importance.

Board appointments

Our Non-Executive Directors played a principal role in the process to appoint Maurice Tulloch as Group CEO, and Jason Windsor as Group CFO, and in the appointment of three Non-Executive Directors during the year through their membership of the Nomination Committee. In line with our succession planning processes, and led by the Nomination Committee, we undertake a formal, rigorous and transparent search process for each appointment, considering the current balance of skills, experience and diversity amongst our directors. Each appointment is made subject to receipt of the requisite regulatory approvals. Furthermore, the continuation of each Board appointment is also subject to the annual board effectiveness review to confirm that each director's performance continues to be satisfactory. In accordance with the Code and our articles of association, all serving directors must retire and those who wish to continue in office must stand for election or re-election by our shareholders at each Annual General Meeting (AGM). All directors were re-elected in 2019 except Keith Williams who retired from the Board at the conclusion of the AGM.

Board and committee structure

The Board is collectively responsible for promoting the long-term, sustainable success of the Company through delivering excellent outcomes for our customers, seeking to generate value for shareholders whilst fulfilling our responsibilities to our stakeholders and contributing positively to the societies in which we operate. One of the Board's key roles is to determine our shared purpose and to set and uphold the Group's values, standards and ethics which combine together to create our corporate culture. We recognise that there is a clear link between our culture and our conduct, both with regards to our customers and to the way in which governance operates in the Group, and our policies, processes and behaviours in relation to these issues are closely monitored by the Board. The Board is also responsible for setting the Group's risk appetite and monitoring the operation of our controls framework. It also seeks to maintain an appropriate dialogue with shareholders on strategy and remuneration.

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In order to ensure there is a clear division of responsibilities between the running of the Board and the running of the business, the Board has identified certain 'reserved matters' for its approval. In relation to all other matters, unless they are specifically reserved for shareholder approval in a general meeting, the Board delegates responsibility for these to our Group CEO, who then delegates responsibility for specific operations to members of the Aviva Leadership Team (ALT), comprised of our most senior managers from across the business.

The Board has established certain principal committees to assist in fulfilling its oversight responsibilities, providing dedicated focus on the areas set out below. Each committee chairman reports to the Board on the committee's activities after each meeting. Full details of the responsibilities of the Board committees are set out later in this report and in the Directors' Remuneration report.

With effect from 1 January 2020, certain amendments were made to the structure and defined responsibilities of our suite of Board committees. To better align with our strategy to deliver great customer outcomes we redefined the remit of the Governance Committee around customer and customer conduct issues and

renamed this committee the 'Customer, Conduct and Reputation Committee' (CCRC). This is also aligned to our refreshed purpose, to ensure our actions in every part of the business are fully focused on consistently earning customers' trust as the best place to save, retire and insure. To provide more time for the CCRC to consider the customer, we expanded the remit of the Nomination Committee to cover a broader range of governance issues, including subsidiary governance and oversight of the Aviva governance framework, which had previously been considered by the Governance Committee and renamed this the 'Nomination and Governance Committee' (NGC). The NGC will continue to play a key role in succession planning for both our Executive and Non-Executive Directors as well as having oversight of our governance framework and regulatory environment.

Upon their establishment, the chairs and members of the new committees were unchanged except for the CCRC which is now chaired by Amanda Blanc following Claudia Arney's retirement from the Board on 31 December 2019.

The new remits of the Committees are outlined below.

Committee's purpose

Name of Committee	Committee Purpose
Audit Committee	Assists the Board in its oversight of financial reporting by assessing the integrity of the Company's financial statements and related announcements; monitoring the adequacy of controls over financial reporting; monitoring the Group's whistleblowing provisions; and monitoring the independence and performance of the Internal Audit function and the External Auditors.
Nomination and Governance Committee	Assists the Board in its oversight of Board composition; Board and senior executive succession; talent development; diversity and inclusion initiatives; operation of the Group governance framework; Aviva's subsidiary governance principles; and the regulatory control environment.
Customer, Conduct and Reputation Committee	Assists the Board in its oversight of customer, conduct and reputation issues including operational risks related to customer and business conduct; the Group's customer strategy and customer conduct obligations; oversight of the Group's brand; reputational risk profile; data governance and data privacy; and corporate responsibility.
Remuneration Committee	Assists the Board in its oversight of remuneration by reviewing the Group Remuneration Policy, the Directors' Remuneration Policy, and recommending remuneration packages for the ALT. Works with the Board Risk Committee to ensure that risk management is considered in setting the Remuneration Policy and promoting a risk awareness culture through the alignment of incentive and rewards with risk management.
Risk Committee	Assists the Board in its oversight of risk by assessing the effectiveness of the Group's risk management framework, risk strategy, risk appetite and risk profile; the methodology used in determining the Group's capital requirements and stress testing these requirements; assessing the adequacy of the Group's system of non-financial reporting controls; its cyber strategy and compliance with prudential regulatory requirements.

Board independence

During the year the Nomination Committee assessed the independence of the Non-Executive Directors to ensure that they are able to properly fulfil their roles on the Board and provide constructive challenge to the Executive Directors. The independence criteria set out in the Code were taken into account as part of the selection process for the three Non-Executive Directors who joined Aviva during the year.

During 2019, the Committee determined that all Non-Executive Directors were free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. In line with the Code, over half of our Board members, excluding the Chairman, are independent Non-Executive Directors.

Time commitment

It is vital to the proper functioning of our Board and committees that each Non-Executive Director is able to commit sufficient time to their roles in order to discharge their responsibilities effectively. In January 2020 the Nomination and Governance Committee assessed the Non-Executive Directors' time commitment considering both the time required for Aviva Board and committee appointments (including on subsidiary boards) and the number and nature of the directors' external commitments. All Non-Executive Directors have demonstrated they have sufficient time to devote to their present role within Aviva, including during any potential periods of corporate stress. George Culmer became a Non-Executive Director of Rolls Royce plc on 2 January 2020. The time commitment and potential conflicts involved were assessed by the Nomination and Governance Committee which determined that George has sufficient time to commit to the Aviva Board and committee appointments.

The Senior Independent Director (SID) reviewed the time commitment of the Chairman. During the period to 4 March 2019, the Chairman increased his time commitment to allow him to perform the role of Executive Chairman. He was supported in this by the Chairman's Committee, composed of the Executive Directors at the time, Maurice Tulloch, Andy Briggs and Tom Stoddard, who advised on the strategic, performance and risk and control aspects of the management of the Group. The role of SID was also enhanced during this time to allow for the monitoring and management of any potential conflicts arising from Sir Adrian's role as Executive Chairman.

According to the Board's policy, Executive Directors may hold one external directorship, subject to obtaining the prior consent of the Board. The Executive Directors do not hold any such external directorships at present.

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 are necessary. 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 continues to monitor and note any potential conflicts of interest that each Director may have and recommends to the Board whether these should be authorised and whether conditions should be attached to any such authorisation. The directors are regularly reminded of their continuing obligations in relation to conflicts and are required annually to review and confirm their external interests, which helps to determine whether they can continue to be considered independent.

Independent advice

All directors have access to the advice and services of the Group Company Secretary in relation to the discharge of their duties on the Board and any committees they serve on. Furthermore, any directors may take independent professional advice at the Company's expense. During the year, no directors sought to do so. The Company arranges appropriate insurance cover in respect of legal actions against its directors and has also entered into indemnities with its directors as described in the 'Other Statutory Information' section in this report.

Role profiles

Following an update to the Board's Terms of Reference during 2019 to reflect the provisions of the Code, and consistent with the Senior Managers and Certification Regime (SMCR), amended role profiles have been created for the Non-Executive Chairman, SID, Group CEO, Group CFO and Non-Executive Directors which are all available at www.aviva.com/about-us/roles. A profile for the Executive Chairman was in place during the period that Sir Adrian Montague occupied that role.

The Non-Executive Chairman is tasked with leadership of the Board, setting its agenda and ensuring its effectiveness, and enabling the constructive challenge of the performance and strategic plans of the Executive Directors by the Non-Executive Directors. The Chairman also plays a key role in working with the Board to establish our culture, purpose and values. The Group CEO is the senior executive of the Company and has overall accountability for the development and execution of the Group's overall strategy in line with the policies and objectives agreed by the Board.

The role of the SID is to provide a sounding board for the Chairman and to serve as an intermediary for the other directors where necessary. The SID should be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Throughout the year the Chairman held meetings with the Non-Executive Directors without management present. Additionally, Glyn Barker as SID met with other Non-Executive Directors without the Chairman present to discuss any matters which they wished to raise.

Induction, training and development

A commitment to support the continuing development of all employees is a central part of Aviva's culture. Our directors are highly supportive of this and are committed to their own ongoing professional development. During 2019, the directors participated in internal training sessions on subjects including blockchain, the impact of IFRS 17, regulatory capital, financial crime, SMCR and directors' duties. Further training sessions have been incorporated into the Board and Committee plans for 2020. The Board also receives regular briefings on a range of strategically important matters to ensure they are informed of developments in these areas.

A structured and tailored induction programme was prepared for each of our three new Non-Executive Directors appointed this year. This covered, amongst other matters, the current strategic and operational plan; meeting packs and minutes from recent board meetings; stakeholder engagement; organisation structure charts; a history of the Group; role profiles; and all relevant policies, procedures and other governance material. The induction also included meeting key members of the management team and visiting different Aviva office locations. Any knowledge or skill enhancements identified during the directors' regulatory application process would also be addressed through their induction programme.

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Board calendar

During 2019, 16 Board meetings were held, of which twelve were scheduled meetings and four were additional meetings called at short notice. In addition, the Board delegated responsibility for certain items to specially created Board committees, which met nine times to discuss these particular items.

The unusually high number of meetings of the Nomination Committee included eight ad hoc meetings which were called to consider specific matters in relation to the appointment processes for the Executive and Non-Executive Directors who joined the Board during the year. If any Directors are unable to attend a meeting, they can communicate their opinions and comments on the matters to be considered via the Chairman of the Board or the relevant committee chairman.

The Board visits different markets each year and during 2019 held a Board meeting at our Irish office. This gave the Board the opportunity to meet the senior management team locally and to gain a deeper understanding of the operations and performance of the business. In June 2019, the Board held its annual two-day strategy meeting offsite in the UK to review progress against our strategic plan and to consider how it should be further developed to ensure we deliver on our commitments to our shareholders and our stakeholders. Following the meeting a refresh to the Group strategy was announced on 20 November 2019.

Board and Committee meetings attendance during 2019

Number of meetings held ¹	Board ¹ 16	Audit Committee 7	Governance Committee 4	Nomination Committee 13	Remuneration Committee 10	Risk Committee 6
Chairman						
Sir Adrian Montague ²	16/16	—	—	13/13	—	—
Executive Directors						
Maurice Tulloch	16/16	—	—	—	—	—
Tom Stoddard ³	7/7	—	—	—	—	—
Andy Briggs ⁴	4/4	—	—	—	—	—
Jason Windsor ⁵	4/4	—	—	—	—	—
Non-Executive Directors						
Glyn Barker ⁶	15/16	6/7	4/4	10/13	8/10	3/6
Patricia Cross	16/16	7/7	—	13/13	10/10	—
Belén Romana García ⁷	16/16	4/5	4/4	13/13	—	6/6
Michael Hawker ⁸	3/3	3/3	—	6/6	—	2/2
Michael Mire ⁹	16/16	—	4/4	13/13	9/10	6/6
Claudia Arney ¹⁰	16/16	—	4/4	13/13	10/10	5/6
Keith Williams ¹¹	4/5	3/3	2/2	7/8	—	2/2
Patrick Flynn ¹²	7/8	4/4	—	4/4	—	3/3
George Culmer ¹³	4/4	2/2	—	1/1	—	2/2

1 During the year there were 16 Board meetings, of which 12 were scheduled meetings and 4 were called at short notice. In addition, there were 9 further Board sub-committee meetings held at short notice and attended by the Chairman and the NEDs.

2 Sir Adrian Montague acted as Executive Chairman in the period to 4 March 2019 when Maurice Tulloch was appointed as Group Chief Executive Officer. Following this, Sir Adrian reverted to his previous position as Non-Executive Chairman.

3 Tom Stoddard resigned as an Executive Director on 30 June 2019.

4 Andy Briggs resigned as an Executive Director on 24 April 2019.

5 Jason Windsor was appointed to the Board as Group Chief Financial Officer on 26 September 2019.

6 Glyn Barker was unable to attend three meetings of the Risk Committee due to prior commitments; he was unable to attend 3 meetings of the Nomination Committee and Remuneration Committee both called at short notice due to prior commitments. Glyn also missed a Board meeting and Audit Committee meeting due to prior engagements.

7 Belén Romana García was unable to attend a meeting of the Audit Committee due to a prior commitment accepted before she became a member of the Audit Committee.

8 Michael Hawker retired as a Non-Executive Director on 31 March 2019.

9 Michael Mire was unable to attend a meeting of the Remuneration Committee called at short notice due to prior commitments.

10 Claudia Arney was unable to attend a meeting of the Risk Committee due to prior commitments.

11 Keith Williams retired as a Non-Executive Director on 23 May 2019.

12 Patrick Flynn joined the Board as a Non-Executive Director on 16 July 2019 and was unable to attend a Board meeting due to prior commitments.

13 George Culmer joined the Board as a Non-Executive Director on 25 September 2019.

Board priorities

During 2019, the Board continued to make progress on delivering sustainable and growing financial returns for our shareholders and overseeing prudent capital management. We put in place a progressive dividend policy which is aligned to the Solvency II Return on Equity¹⁴ target of 12% by 2022 which we announced as part of our Capital Markets Day in November 2019, and continued our programme of debt deleveraging including the redemption of the £210 million Step-Up Tier 1 Insurance Capital Securities (STICS) perpetual subordinated loan notes during the year.

Following the appointment of our new Group CEO in March 2019, we embarked on a comprehensive strategic review of our business, identifying a number of changes which are now being implemented to enhance our service to customers and improve the operating efficiencies of our business.

This includes the simplification of Aviva into our five operating divisions from 2020: Investments, Savings and Retirement; UK Life; General Insurance; Europe Life; and Asia Life. In the 2019 Strategic report and 2019 Annual report and accounts, we continue to report the results of our business by market on the basis they were managed in 2019. In making these changes, we are leveraging our substantial digital and insurance expertise to drive better commercial outcomes across Aviva and rigorously controlling our costs, including a £300 million per annum reduction in controllable costs¹⁴ by 2022 (net of inflation).

¹⁴ This is an Alternative Performance Measure (APM) which provides useful information to supplement an understanding of our 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.

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We understand that our financial plans can only be achieved through a relentless focus on the experience of our customers and by working to ensure that we offer each one of our personal and corporate customers great outcomes, earning their trust as the best place to save for the future, navigate retirement and insure what matters most to them. The Board has focused on understanding our customers' experience, closely monitoring customer metrics and engaging with management to understand the issues involved when our performance did not meet our customers' expectations.

During 2020, the Board's agenda will focus on driving delivery of the Group's strategic priorities, which are to deliver great customer outcomes; excel at the fundamentals; and to continue to invest in sustainable growth.

We will seek to ensure that we successfully implement our simplified operating model and maintain our careful control of operating costs. The Board will closely monitor and drive enhancements in our risk and control environment and will continue to assess and respond to changes in the external political and economic environment; including those related to the UK's decision to leave the European Union (EU). The Board will seek to ensure that as a business, we maintain our focus on managing operational resilience and potential risks around our IT estate. We will closely review our progress towards meeting the financial targets outlined in our strategic update in November 2019 which will support our progressive dividend strategy and our goal of driving higher returns for our stakeholders.

Our two-day offsite Board strategy session in June 2020 will be used to review our three-year strategic plan and to set out strategic priorities for the year ahead.

Culture will remain a key area, and we will continue to engage with our stakeholders and integrate their interests and concerns into our decision-making processes. Succession planning and the continued development of the talent pipeline will remain an area of focus for both the Board and the Nomination and Governance 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 2018, an external evaluation was conducted, with a series of outcomes reported in 2019. Following an externally facilitated evaluation process over the last two years, the Board decided that the 2019 evaluation be undertaken through an internal questionnaire prepared in conjunction with Lintstock. Lintstock also provide evaluations to other operating subsidiaries in the Aviva Group. Lintstock are an independent provider of Board evaluations and have no other connection with Aviva or any individual director. The questionnaires covered a variety of areas including board composition, strategic and operational oversight, risk management and internal controls, and culture. The Board considered the final report and the recommendations which were shared with each committee, and an action plan for areas of focus was agreed. The 2018 Board evaluations and 2019 actions are outlined in the table below.

Outcomes from the 2018 Board evaluation and steps taken in 2019

Focus area	Theme	Feedback/actions
Board composition	Utilising our skills matrix as part of our Board succession planning	The Board skills matrix was utilised to focus NED recruitment on specific Board skills requirements, including insurance, finance and accounting experience. We have successfully recruited three NEDs with very deep experience in these areas.
Governance	Reorganisation of our Board committees and their remits	We made certain changes to remits of our Board committees, including repurposing the Governance Committee as the Customer, Conduct and Reputation Committee and the Nomination Committee as the Nomination and Governance Committee. The aim of these changes was to further enhance our focus on the customer and customer conduct issues.
Stakeholder engagement	Reviewing our engagement mechanisms in relation to the Code	The interests of our stakeholders are central to the way we operate as a company, and the Board reviewed the ways in which we engage with them to ensure that they facilitate dialogue and that the interests of our stakeholders are considered in our decision making.
Culture	Continuing to set and monitor our corporate culture	The Board had several discussions on the Group's culture and this remains a priority for 2020. The Board remains committed to maintaining our focus on valuing diversity and policies supporting inclusion across the Group. It ensured that these are fully considered in overseeing succession planning for the senior leadership team. It also closely monitors the outputs from our 'Voice of Aviva' engagement surveys and reviews actions proposed to improve employee engagement.

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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 emerging and principal risks facing the Company, including those that could impact the Group's business model, future performance, solvency and liquidity. In 2019 the Risk Committee reviewed a number of emerging risk scenarios and the management actions and mitigation to address them. These included the decision for the UK to leave the European Union (regular updates), UK political risk, US-China trade war, the credit cycle, systemic cloud risk, harmonisation of European conduct regulation, pension tax relief, risks posed by climate change and other emerging risks and sources of market uncertainty. The Company's approach to risk and risk management together with the principal risks that face the Group are explained within the Risk and risk management section of this 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 60.

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

First line – management monitoring

The Aviva Leadership Team 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 the appropriateness of the Solvency II internal model, 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

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.

The Governance Committee

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. From 1 January 2020 the Governance Committee was renamed the Customer, Conduct and Reputation Committee.

The Audit Committee

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.

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 2019, this has been supported by the application of the Group's Operational Risk & Control Management framework. The details of key failings or weaknesses are reported to the Risk and Audit Committee and the Board on a regular basis and are summarised annually to enable them to carry out an effectiveness assessment.

The Risk Committee, on behalf of the Board, have reviewed the effectiveness of the systems of internal control and risk management. This review occurs annually. In addition, Internal Audit plays a significant role in contributing to the routine ongoing assessment of the Group's Risk & Control framework. There has been regular reporting to the committees 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 Audit and Risk Committees refer to the need to sustain the embedding of controls in a number of areas where significant progress has been made in 2019, such as cyber security, risk management through major change, UK Insurance complaints management and IT disaster recovery; and the need to continue to make further improvement in a number of other areas, such as IT resilience, financial crime prevention, data management, risk culture and ongoing improvements in Canada, France and Ireland. The Risk Committee, on behalf of the Board will continue to monitor progress throughout 2020.

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 several of the Company's major shareholders during 2019. At these meetings a range of issues were discussed within the constraints of information already made public, to understand shareholders' perspectives. On 20 November 2019 we held a Capital Markets Day in London to update investors and analysts on our strategy and financial objectives. Shareholders' views are regularly communicated to the Board through the Group CEO's, and Group 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 and a formal programme of introductory investor meetings for the new SID commenced in January 2020.

2020 AGM

The 2020 AGM will be held on Tuesday 26 May 2020 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 2019 AGM, and plan to attend the 2020 AGM. A presentation on the Group's performance will be given at the 2020 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.