

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 the principles of and complied with the provisions of the Code during 2020 are set out in this report and the Directors' Remuneration report. The Board can confirm that the Company was compliant with the Code throughout the financial year under review, other than for a short period between the appointment of a new Senior Independent Director and when George Culmer, the previous Senior Independent Director, became Chair.

The Strategic report discloses information on our engagement with our employees, suppliers, customers and other stakeholders. In line with the Companies Act 2006 Regulations, further information on how the directors have performed their duties under section 172 of the Companies Act 2006 is also contained in the Strategic report.

Changes to the Board

There were several changes to the Board during 2020. Following a thorough external and internal selection process, George Culmer was appointed as Non-Executive Chair of the Company on 27 May 2020. George succeeded Sir Adrian Montague, who retired from the Board on 31 May 2020. Sir Adrian had been appointed to the Board in January 2013 and became Senior Independent Director in May 2013, and Chairman in April 2015. George was appointed as a Non-Executive Director of the Company on 25 September 2019 and was appointed as the Senior Independent Director with effect from 1 January 2020. George brings extensive experience in insurance and broader financial services to the role.

On 6 July 2020, Maurice Tulloch stepped down as Group Chief Executive Officer (CEO) and retired from his position on the Board. Maurice joined Aviva in 1992 and held a number of senior positions in the business during his time with the Company. He joined the Board in 2017 and was appointed as Group CEO in March 2019. After a rigorous search process, involving the assessment of highly talented internal and external candidates, the Board unanimously agreed to appoint Amanda Blanc as Group CEO. Amanda Blanc had 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.

We were delighted to appoint two Non-Executive Directors to the Board on 1 December 2020. Jim McConville has assumed the role of Chair of the Customer, Conduct and Reputation Committee and is a member of the Audit, Risk and Nomination and Governance Committees. Mohit Joshi has become a member of the Risk and Nomination and Governance Committees. Jim was previously Group Finance Director of Phoenix Group, where he was responsible for all aspects of the Group's financial strategy and management and during which he led the transition programme bringing Phoenix and Standard Life Assurance together. Prior to that, he was Chief Financial Officer of Northern Rock from 2010 to 2012, and prior to that, he worked for Lloyds TSB Group (now Lloyds Banking Group plc) in a number of senior finance and strategy related roles. Mohit is the President of Infosys, a global leader in next-generation digital services and consulting.

He heads the Financial Services, Healthcare and Life Sciences business verticals for the company and is the Chairperson for EdgeVerve, its software subsidiary. Mohit joined Infosys in 2000 after an initial career in banking and has over 24 years of professional experience working across the US, India, Mexico, and Europe.

We were also delighted to appoint a further Non-Executive Director to the Board on 1 January 2021 with significant experience in global financial services, people strategies and transformation programmes. Pippa Lambert has become a member of the Remuneration, Nomination and Governance and Customer, Conduct and Reputation Committees. Pippa was previously Global Head of Human Resources at Deutsche Bank where she was responsible for leading the development of a successful and progressive HR transformation programme, focused on improving the group's culture, diversity and inclusion, and digital agendas. Prior to that, Pippa was Group Head of Reward at the Royal Bank of Scotland from 2011 to 2013 where she worked closely with the RBS Board on the redevelopment and restructure of the Bank's compensation and benefits programme.

Patrick Flynn was appointed as Senior Independent Director on 7 September 2020. In the period between George Culmer becoming Chair, and the formal appointment of Patrick as Senior Independent Director, Patrick was available to act as an intermediary between the Board members or shareholders, and Chair as required. Patrick has extensive insurance experience, most recently as the Chief Financial Officer of ING, the Netherlands' largest financial services group. He is also a Non-Executive Director of NatWest Group plc. Patrick is Chair of the Audit Committee and is a member of the Risk, Remuneration and Nomination and Governance Committees.

The Board

As at the date of this report the Board is comprised of the Non-Executive Chair, two Executive Directors and seven 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; Customer, Conduct and Reputation; Nomination and Governance; 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 at Aviva includes, but is not limited to, gender and ethnicity, and is inclusive of all strands of diversity including skills and experience, geographic and social background, disability and sexual orientation. 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 and Governance 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 and Governance Committee which reviews the balance of skills, knowledge, experience and diversity of the Board and leads on 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.

Directors' and Corporate Governance report continued

We are pleased to have met the Parker Review Committee's target for all FTSE 100 boards to have at least one director from an ethnic minority background by 2021, making up 10% of the Board, in addition to continuing to maintain our target of ensuring that women make up at least 33% of the Board with women currently representing 40% of the Board. 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 and Governance Committee report.

The charts below illustrate the diversity of the Board and senior management as at the date of this report.

	Board of Directors		
	Non-Executive including Chair	Executive	Executive Committee
Composition			
Total	8	2	14
Gender			
Male	5	1	9
Female	3	1	5
Experience and Skills¹			
Insurance	7	2	10
Asset Management	7	1	6
Finance	7	2	10
People	5	2	3
Risk	4	2	7
Legal & Regulatory	6	2	7
Customer	4	2	5
Technology, Digital & Operations	5	1	2
Strategy	7	2	7
International Experience¹			
Europe	8	2	13
Asia Pacific	3	1	6
The Americas	3	1	3
Middle East & Africa	0	1	4
Tenure			
5-10 years	3	—	3
4 years	—	—	—
3 years	—	—	—
2 years	—	—	2
1 year	2	2	5
<1 year	3	—	4
Age			
30-39	—	—	0
40-49	1	1	8
50-59	3	1	5
60+	4	—	1

1 Individual directors may fall into one or more categories

Board activities during 2020

Strategy and business plans

- Approved the revised strategic priorities for the Aviva Group, which were announced in conjunction with our Interim Results on 6 August 2020. The three strategic priorities for the Group are: focus the portfolio, transform performance and financial strength
- Implemented a new dividend policy and capital framework, aligned with Aviva's strategic priorities; to deliver further value to shareholders by returning excess capital above 180% Solvency II shareholder cover ratio¹, once our target Solvency II debt leverage target ratio¹ has been reached
- Held an annual dedicated strategy session in June 2020, 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

COVID-19

- Assessed the impact of the COVID-19 pandemic on our customers, our people and the communities in which we operate
- Approved a rapid expansion of our remote working capability to maintain strong levels of service for individual and commercial customers
- Oversaw the provision of extensive support for our people through the period of restrictions, focusing on wellbeing and mental health support, as well as practical assistance for working at home
- Approved contributions to Aviva's communities totalling £43 million to support community partners

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 Code
- Discussed and approved changes to the Board committee structure, and the designation of the Customer, Conduct and Reputation Committee as a sub-committee of the Risk Committee

Significant transactions and expenditure

- Approved financial matters in line with the Group Funding Plan, including capital injections where required into regulated subsidiaries, the sale of a majority shareholding in Aviva Singapore, the entire shareholdings in Aviva Indonesia, Aviva Vietnam and Aviva Vita and the issuance of C\$450 4.000% million Dated Tier 2 Fixed Rate Notes due October 2030

Financial reporting and controls, capital structure and dividend policy

- Discussed reports provided by the Group Chief Financial Officer 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 and financial results, withdrew and subsequently reintroduced dividend payments to ordinary shareholders due to significant uncertainties presented by COVID-19
- Assessed the Group's capital and liquidity requirements, arising from the Group's strategy and Group Plan, in addition to the challenges presented to the Group's markets by COVID-19
- Reviewed and quantified the impact of COVID-19 on claims expenses in our life and general insurance businesses
- Approved the full year results and Annual Report and Accounts, and the Half-Year Report

People, culture, succession planning and Board effectiveness

- Oversaw the search process, reviewed candidates and approved the appointment of George Culmer as Non-Executive Chair and Amanda Blanc as Group CEO following recommendations from the Nomination and Governance Committee
- Following recommendations from the Nomination and Governance Committee, approved the appointment of the two Non-Executive Directors to the Board during 2020 and one Non-Executive Director to the Board at the beginning of 2021
- Discussed the current Group culture, its alignment with strategy, and how it has been further strengthened during the year
- Undertook an evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors

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 within the Annual Report and Accounts.

Directors' and Corporate Governance report continued

Stakeholder engagement

We report on our stakeholder engagement and other relevant matters in the 'Section 172 (1) statement 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 George Culmer as Non-Executive Chair and Amanda Blanc as Group CEO, and in the appointment of three Non-Executive Directors through their membership of the Nomination and Governance Committee. MWM Consulting (MWM) undertook the search and selection processes for the Board Chair, Non-Executive Directors and Group CEO but had no other connections with the Company or any individual director. In line with our succession planning processes, and led by the Nomination and Governance 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 in office at the time of the 2020 AGM were elected or re-elected in 2020.

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 while fulfilling our responsibilities to our stakeholders and contributing positively to the societies in which we operate.

Committees' purpose

Name of Committee	Committee Purpose
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; and Aviva's subsidiary governance principles.
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; ensuring due diligence appraisals are carried out on strategic or significant transactions; and monitoring cyber strategy and compliance with prudential regulatory requirements. Oversight of conduct risk topics through the alignment with the Customer, Conduct and Reputation Committee reporting into the Risk Committee.
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.
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; recommending remuneration packages for the Non-Executive Chair and ExCo; and remuneration approaches for the remuneration of regulated employees. 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.

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 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 control's frameworks. It also seeks to maintain an appropriate dialogue with shareholders on strategy and remuneration.

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 Group Executive Committee (ExCo), 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 chair 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.

During 2020 certain amendments were made to the structure and defined responsibilities of our suite of Board committees. To further align with our strategic priority to transform customer experiences and provide excellent value for money, the Customer, Conduct and Reputation Committee was designated as a sub-committee of the Risk Committee. This is also aligned to our 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.

The new remits of the Committees are outlined below.

Board independence

During the year the Nomination and Governance 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 2020 and 2021.

During 2020, 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 Chair, 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 role 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 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 and Belén Romana García became a Non-Executive Director of Bolsas y Mercados Españoles on 30 July 2020. The time commitment and potential conflicts involved were assessed by the Nomination and Governance Committee which determined that George and Belén had sufficient time to commit to the Aviva Board and committee appointments.

The Senior Independent Director (SID) reviewed the time commitment of the Chair.

According to the Board's policy, Executive Directors may hold one external directorship, subject to obtaining the prior consent of the Board. Amanda Blanc is Chair of the Welsh Professional Rugby Board. No other appointments are held.

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

Consistent with the Code and the Senior Managers and Certification Regime (SMCR), role profiles for the Non-Executive Chair, SID, Group CEO and Non-Executive Directors are all available at www.aviva.com/about-us/roles.

The Non-Executive Chair 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 Chair 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 Chair 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 Chair held meetings with the Non-Executive Directors without management present. Additionally, Patrick Flynn as SID met with other Non-Executive Directors without the Chair 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 2020, the directors participated in internal training sessions on subjects including our risk appetite, climate change and directors' duties. Further training sessions have been incorporated into the Board and Committee plans for 2021. 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 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. Any knowledge or skill enhancements identified during the directors' regulatory application process would also be addressed through their induction programme.

Board calendar

During 2020, 28 Board meetings were held, of which thirteen were scheduled meetings and fifteen were additional meetings called at short notice. The additional meetings were primarily called to address the impact of the COVID-19 pandemic. In addition, the Board delegated responsibility for certain items to specially created Board committees, which met nine times to discuss these particular items.

If any Directors are unable to attend a meeting, they can communicate their opinions and comments on the matters to be considered via the Chair of the Board or the relevant committee chair.

Directors' and Corporate Governance report continued

The Board usually visits different markets each year, however, due to the COVID-19 pandemic, no international visits were held during 2020. In June 2020, the Board held its annual strategy meeting via teleconference to review progress against our strategic priorities

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, revised strategic priorities for the Aviva Group were announced on 6 August 2020.

Board and Committee meetings attendance during 2020

Number of meetings held	Board 28	Audit Committee 7	Customer, Conduct and Reputation 5	Nomination and Governance 13	Remuneration Committee 12	Risk Committee 11
Chair						
George Culmer ¹	27/28	5/5	1/1	4/13	4/4	4/5
Sir Adrian Montague ²	15/15			2/11		
Executive Directors						
Amanda Blanc ³	28/28		3/3	11/11		6/6
Maurice Tulloch ⁴	17/17					
Jason Windsor ⁵	26/28					
Non-Executive Directors						
Patricia Cross ⁶	27/28	7/7		12/13	12/12	
Patrick Flynn	28/28	7/7		13/13	8/8	11/11
Belén Romana García	28/28	7/7	5/5	13/13		11/11
Mohit Joshi ⁷	1/1					1/1
Jim McConville ⁸	1/1					1/1
Michael Mire ⁹	28/28		4/5	13/13	12/12	11/11

1 George Culmer acted as a Non-Executive Director in the period 1 January 2020 until 27 May 2020 when he was appointed Chair. During this period George was recused from the Nomination and Governance Committee meetings regarding his appointment. George was unable to attend one Board meeting due to illness and one Risk Committee due to a prior commitment.

2 Sir Adrian Montague acted as Chair until 31 May 2020 when he retired from the Board and the Nomination and Governance Committee. During this period Sir Adrian was recused from the the Nomination and Governance Committee meetings regarding his succession.

3 Amanda Blanc acted as Non-Executive Director from 2 January 2020 until 6 July 2020 when she was appointed as CEO.

4 Maurice Tulloch acted as Group CEO until 6 July 2020 when he retired from the Board.

5 Jason Windsor did not attend two Board meetings which concerned the CEO search process.

6 Patricia Cross was unable to attend one Board meeting and a Nomination and Governance Committee meeting due to a prior commitment.

7 Mohit Joshi was appointed to the Board as a Non-Executive Director on 1 December 2020.

8 Jim McConville was appointed to the Board as a Non-Executive Director on 1 December 2020.

9 Michael Mire was unable to attend one Customer, Conduct and Reputation Committee meeting due to a prior commitment.

Board priorities during 2020

The impact of the COVID-19 pandemic was the key focus for the Board during 2020. As a consequence, the Board met remotely and more frequently, initially weekly, to understand and consider how the pandemic was affecting our business operations, our risk and control environment and the markets in which we operate. The Board monitored the move of our people to homeworking, the operational challenges that presented, the financial markets' response to the pandemic and the impact of those market moves on Aviva.

While 2020 was a challenging year operationally, the Board continued to focus on our strategy and how we deliver sustainable, long-term growth for our shareholders. Following the appointment of Amanda Blanc as Group CEO, we have reset our strategy to focus on our three core markets – the UK, Ireland and Canada – and we are focused on transforming our performance and ensuring our financial strength. The Board played a key role in providing challenge and input into the new strategy to ensure that the strategy promotes the long-term sustainable success of the Company, generates value for shareholders and contributes to wider society. The pandemic will not last forever, and the Board has continued to set aside time to look to the future and not just focus on the challenges of today, and our strategy will support Aviva in the challenges we face in the years ahead.

A new dividend policy and capital framework was put in place on 26 November 2020 aligned with Aviva's strategic priorities. As we focus the portfolio, we expect to build excess capital over time. We will deliver further value to shareholders by returning excess capital above 180% Solvency II shareholder cover ratio¹, once our Solvency II debt leverage target ratio¹ has been reached. The Board expects to exceed the original target of £1.5 billion debt deleveraging by the end of 2022.

We understand that our financial plans can only be achieved through being with people when it really matters, throughout their lives – to help them make the most of life. Looking after our customers, people and wider community has been a priority for Aviva during the ongoing pandemic. The Board met 28 times during the year, focusing on Aviva's customers and assessing the impact of COVID-19 on them, in addition to revising the strategic priorities for the Aviva Group.

During 2021, the Board's agenda will focus on driving delivery of the Group's strategic priorities.

We will seek to ensure that we successfully simplify Aviva's portfolio, transform our performance and improve our efficiency. 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 uncertain external economic and social environment; including those related to the ongoing impact of COVID-19. 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 2020 which will support our new dividend policy and capital framework and our goal of delivering further value to shareholders. Our Board strategy session in June 2021 will be used to review our three-year strategic plan and to set out strategic priorities for the year ahead.

Culture will also 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 also remain an area of focus for both the Board and the Nomination and Governance Committee.

Directors' and Corporate Governance Report continued

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. The Board decided that the 2020 evaluation be undertaken through an internal questionnaire prepared in conjunction with Lintstock, with the outcomes reported in January 2021. Lintstock also provides evaluations to other operating subsidiaries in the Aviva Group.

Lintstock is an independent provider of Board evaluations and has 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 2019 Board evaluations and 2020 actions are outlined in the table below.

Outcomes from the 2019 Board evaluation and steps taken in 2020

Focus area	Theme	Feedback/actions
Strategy oversight	Enhanced information to support the Board's strategy implementation activities	The Board's reporting schedule was revised to increase the frequency of Strategy and Transformation agenda items. These changes supported the Board with its discussion of strategic matters and early input into associated proposals during the strategic review. The Board created a Group Chief Operating Officer (COO) role with responsibility for supporting strategy implementation and providing associated updates to the Board.
Performance reporting	Developing and enhancing the information the Board receives on key performance Indicators	We made certain changes to the performance reporting received by the Board, including the introduction of more granular market reporting and external perspectives and benchmarks. These changes further support the Board's insight into potential issues facing our operating subsidiaries in their markets.
Subsidiary operations oversight	Review the breadth of the Board's oversight of subsidiary operations	A framework has been implemented that reinforces the engagement of the Board's Non-Executive Directors with the chairs of subsidiary boards. The chairs of key subsidiary entities have become standing attendees at Board meetings further enhancing the flow of information between the Board and subsidiaries. The Group's Subsidiary Governance Principles were also enhanced to include greater focus on items for escalation from the subsidiary boards to the Aviva plc Board.

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, Customer, Conduct and Reputation 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.

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 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. The FRCF relates to the preparation of reliable financial reporting, covering both IFRS and Solvency II reporting activity.

Directors' and Corporate Governance Report continued

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.

During 2020 the Aviva Group has continued its focus on operational resilience by completing its annual programme of disaster recovery testing, including those applications hosted in the Cloud, the strengthening of its cyber security controls and regular programme of Red Team testing. Aviva's successful response to the COVID-19 pandemic has also been used to inform the Group's preparation for the forthcoming Operational Resilience regulation for which enhancements to Aviva's Operational Risk Management Framework have been made (going live in 2021), alongside the categorisation and resilience prioritisation of its important business services. Further analysis and testing of Aviva's most important business services will take place during 2021. Further information can be found in the Audit and Risk Committee reports.

First line – management monitoring

The Group Executive Committee 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, Customer Conduct and Reputation 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, Customer, Conduct and Reputation 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 Customer, Conduct and Reputation Committee	The Audit 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 RMF, and the methodology in determining the Group's capital and liquidity requirements. Ensures that risk management is properly considered in setting remuneration policy. Oversight of conduct risk through reporting from the Customer, Conduct and Reputation Committee (CCRC).	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. During 2020 the CCRC was designated as a sub-committee of the Risk Committee.	Works closely with the Risk Committee and is responsible for assisting the Board in discharging its responsibilities for the integrity of the Group'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

With the exception of business units where Aviva disposed of the majority of its shares, 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 2020, this has been supported by the application of the Group's Operational Risk & Control Management (ORCM) 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 Management framework. There has been regular reporting to the committees throughout the year to ensure that outstanding areas of improvement are both identified and remediated. While there has been substantial progress during the year there remains a number of areas where significant work is still required.

Directors' and Corporate Governance Report continued

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 remediation progress has been made in 2020, such as cyber security, risk management through major change and financial crime prevention; and the need to continue to make further improvement in a number of other areas, such as data management, controls testing (including cyber), risk culture and model risk management. Specific areas for improvement were also identified in Canada and France. The Risk Committee, working in conjunction with the Audit Committee, on behalf of the Board, will continue to monitor progress throughout 2021.

The risk management framework of a small number of our joint ventures and strategic equity holdings can differ from the RMF outlined in this report but with a strong focus on local regulatory compliance. We continue to work with these entities to ensure appropriate management of risks 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 Chair met several of the Group's major shareholders during 2020. At these meetings a range of issues were discussed within the constraints of information already made public, to understand shareholders' perspectives. On 26 November 2020 we streamed a presentation to update investors and analysts on our strategy and financial objectives in conjunction with our third quarter announcement. Shareholders' views are regularly communicated to the Board through the Group CEO's, and Group Chief Financial Officer'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.

2021 AGM

The 2021 AGM will be held on Thursday 6 May 2021 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. Shareholders are invited to ask questions related to the business of the meeting at the AGM and a presentation will be given on the Group's performance. Further details on the AGM are provided in the Shareholder Services section of this report.

Due to the restrictions associated with the COVID-19 pandemic, it was not possible to hold our usual AGM arrangements for the 2020 AGM, but we filmed an event with the Chair and Group CEO answering questions submitted by shareholders to ensure our engagement with shareholders continued as far as possible in the circumstances.