

## **Governance Committee Terms of Reference**

### **1. Purpose**

The Governance Committee is responsible for:

- (i) driving consistency in respect of governance and regulatory conduct matters across the Group, receiving management information on significant themes and agreeing proposed actions;
- (ii) overseeing compliance with the corporate governance principles, culture and ethical values of the Group in line with the Group's strategic priorities, including the provision of approvals where required;
- (iii) advising on the Group's conduct and financial crime risk appetites and overseeing the Group profile against them in conjunction with the Risk Committee;
- (iv) overseeing the brand and reputation of the Group, ensuring that reputational risk is consistent with the risk preference approved by the Board and the creation of long term shareholder value;
- (v) overseeing the Group's conduct in relation to its corporate and societal obligations, including setting the guidance, direction and policies for the Group's customer and corporate responsibility (CR) agenda and related activities and advising the Board and Management on these matters.
- (vi) monitoring the development and succession programmes for leadership across the Group; and
- (vii) providing governance and conduct oversight and challenge to the Board of Aviva UK Digital Limited as set out in paragraphs 9.37-9.43 of these Terms of Reference.

### **2. Membership**

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

### **3. Quorum and meeting procedures**

- 3.1 A quorum of the Committee shall be two members.
- 3.2 In the absence of the Committee chairman, the remaining members present shall elect one of themselves to chair the meeting.

- 3.3 Directors may attend a Committee meeting in person or through the use of video or telephone conference.  
The Group Company Secretary, or their nominee, shall be the secretary of
- 3.4 the Committee.

#### **4. Attendance at meetings**

- 4.1 Only Committee members and other non-executive Board members have the right to attend Committee meetings. The Chairman of the Board, the Group Chief Executive Officer, the Chief Risk Officer, the Group Director of Public Policy and Corporate Responsibility, the Group General Counsel and Company Secretary and the Group Compliance Director will normally be invited to attend Committee meetings.
- 4.2 Members of Management and any advisers appointed by the Committee may attend any meeting of the Committee, by invitation.

#### **5. Frequency of Meetings**

- 5.1 Meetings shall be held not less than four times each year and at such other times required.
- 5.2 The Chairman of the Board, the Group Chief Executive Officer, the Chief Financial Officer, the Chief Audit Officer, the External Auditor, the Committee chairman or two members of the Committee may request a meeting if they consider that one is necessary.

#### **6. Notice of Meetings**

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

#### **7. Minutes of Meetings**

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

#### **8. Authority**

The Committee is authorised by the Board to:

- 8.1 investigate, or cause to be investigated, any activity within its terms of reference;

- 8.2 obtain at the Company's expense external legal or independent professional advice from such advisers as the Committee shall select, who may, at the invitation of the Committee, attend meetings as necessary;
- 8.3 seek any information that it requires from any employee of the Company in order to perform its duties and require all employees to co-operate with any request made by the Committee;
- 8.4 despatch its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by the written resolution procedure set out in the Company's articles of association; and
- 8.5 delegate any of its duties as is appropriate to such persons or person as it thinks fit.

## **9. Duties**

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

### **Governance**

- 9.1 consider and recommend to the Board a set of best practice corporate governance principles including providing insights on culture and values which support the Group's strategic priorities;
- 9.2 review the Group's corporate governance practices and monitor compliance with implementation of the Group's Business Standards insofar as they relate to the Group's culture, conduct and values;

### **Subsidiary Governance**

- 9.3 oversee subsidiary board governance, including board composition, the appointment and continuing engagement of non-executive directors, and the effectiveness of subsidiary boards and board committees;
- 9.4 note the appointment, removal or resignation of executive directors of Tier 1, Tier 2 and Tier 4 boards, as defined in the Subsidiary Governance Principles.
- 9.5 approve the appointment of independent non-executive directors of material operating/ holding company boards;
- 9.6 approve the template standard terms of reference for the boards of the Group's principal subsidiaries, and any material deviations from it, receive and review a summary of material issues transacted at those boards and receive and review reports on any other material matters referred by the Chairs of those boards;
- 9.7 recommend to the Board for approval, the Corporate Governance Report to be contained in the Annual Report and Accounts.

### **Financial Crime**

- 9.8 oversee the design, completeness and effectiveness of the Group's

procedures relating to prevention of financial crime including fraud, money laundering, breach of sanctions, bribery and corruption, market abuse and to note any material issues which arise and monitor their resolution;

- 9.9 review whether the Group has satisfactory controls in place to ensure that financial crime risk is mitigated and review any financial crime prevention programmes, as appropriate and monitor the implementation and compliance with the Financial Crime Business Standard;
- 9.10 review the drivers of the changes, if any, in the financial crime risk profile and their implications on the franchise value; review Management's view of emerging and potential financial crime risks; and review the management actions, if any, required in response to changes in the risk profile and emerging or potential risks;
- 9.11 review Group Key Performance Indicators as they relate to financial crime risk;

### **Regulatory**

- 9.12 monitor the relationships with and findings of any material examinations by the conduct regulatory and competition authorities, including the listing authority, in the UK and, where appropriate, other jurisdictions where the Group has a significant presence;
- 9.13 oversee the regulatory landscape in respect of conduct matters and review the actions taken in relation to any regulatory developments which may have a material impact on the Group, paying particular regard to the Senior Insurance Managers Regimes (SIMR) and the accountability culture;
- 9.14 oversee investigations in relation to material regulatory breaches and agree actions to be taken in response;

### **Conduct and Reputation**

- 9.15 review the Group's strategy and risk preference in relation to conduct and reputational risks impacting the Group's franchise value, including where relevant outsourced arrangements, and make recommendations to the Board as appropriate;
- 9.16 review the Group's conduct and reputational risk profile against its franchise value risk preference;
- 9.17 oversee the design, completeness and effectiveness of the risk management control framework in so far as it relates to conduct and reputational risks; monitor the performance of conduct and compliance with the agreed framework; and satisfy itself that information concerning conduct and other risks to the Group's reputation is used effectively by Management and the Board in decision making and reviewing Group performance indicators as they relate to customer retention, conduct and values;
- 9.18 review the drivers of the changes, if any, in the conduct and reputational risk profile and their implications on franchise value; review Management's view of emerging and potential conduct and reputational risks; and review the

Management actions, if any, required in response to such changes;

- 9.19 review the scenarios and stress tests which the Group uses to assess its risks to franchise value; review the outcome of these tests and the Management actions and contingency plans that might need to be put in place in the light of the outcomes;
- 9.20 review any statements concerning the Group's conduct and reputation in material regulatory announcements made by the Group;
- 9.21 work with the Risk Committee to ensure the impact of material conduct and reputational risks and events on the Group's capital and liquidity position are properly considered;
- 9.22 review and recommend to the Board or Risk Committee for approval as appropriate and oversee compliance with the Group Conduct Risk Policy, Regulatory Business Standard, Financial Crime Standard and any relevant Group Business Standards insofar as they relate to the Group's management of conduct and financial crime;;
- 9.23 review the effectiveness of the Group and its Subsidiaries Compliance functions, including review of the annual compliance plans (regulatory, conduct and financial crime) and Group's annual financial crime report
- 9.24 oversee material or prospective legal actions involving the Group which have the potential to materially impact the Group's franchise value, and assess whether actions which need to be taken in respect of risks and controls are being applied;
- 9.25 review the Group's overall culture and values as they influence risk to reputation, and the Group's brand and conduct with customers, making recommendations to the Board as appropriate;
- 9.26 review whether the Group has satisfactory controls in place to ensure that its customers are treated in accordance with both the Group's policies and regulatory requirements; and review any conduct-related Risk Mitigation Plans arising from regulatory reviews, and the Group's response thereto;

## **People**

- 9.27 review and approve the Business Ethics Code and review reports on the implementation and breaches of the Code;
- 9.28 review the Group's policies on diversity and employees to ensure that they do not compromise the Group's ethical values;
- 9.29 review the themes arising from the annual Voice of Aviva employee survey, providing feedback and recommendations to the Board as appropriate;
- 9.30 review talent management and development programmes for leadership across the Group, excluding succession planning for executive director roles

- 9.31 annually review the Group's framework for compliance with the Senior Insurance Managers Regime (SIM) and approved person regime.

### **Corporate Responsibility**

- 9.32 consider and recommend to the Board the Group's CR strategy and objectives and to monitor relevant external developments, and make recommendations to the Board as appropriate;
- 9.33 review the Group's Corporate Responsibility, Environment and Climate Change Business Standard to ensure it continues to meet the Group's CR strategy and objectives, and make recommendations to the Board as appropriate;
- 9.34 as part of its review of the risk profile against franchise risk preference , review and monitor the Group's CR risk exposures and work with the Group Risk Committee to ensure that the Group's CR risk exposures are properly considered; in particular to review and monitor the Group's mandatory reporting requirements, including the UK Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES), the UK Greenhouse Gas reporting, and mandatory community investment reporting;
- 9.35 review the procedures in place to ensure that significant environmental regulation is identified and addressed; and consider the adequacy of reporting and responding to breaches of environmental regulation; and
- 9.36 review the Group's policies on suppliers and the communities in which it operates, to ensure that they do not compromise the Group's ethical values;

### **UK Digital**

- 9.37 review UK Digital's strategy and risk appetite in relation to conduct, regulatory and financial crime risks and make recommendations to the UK Digital Board as appropriate;
- 9.38 review UK Digital's conduct, regulatory and financial crime risk profile against its risk appetite;
- 9.39 review the design, completeness and effectiveness of the risk management control framework in so far as it relates to conduct, regulatory and financial crime risks; and monitor the performance of conduct and compliance with the agreed framework;
- 9.40 review the drivers of the changes, if any, in the conduct, regulatory and financial crime risks profile; review Management's view of emerging and potential conduct, regulatory and financial crime risks; and review the Management actions, if any, required in response to changes in the risk profile and emerging or potential risks;
- 9.41 satisfy itself that information concerning conduct, regulatory and financial crime risks is used effectively by UK Digital Management and the Board in key decision making;

- 9.42 oversee UK Digital's conduct strategy with customers, as part of the oversight of UK Digital's culture and values; the responsible provision of products and services according to customer needs and that are fit for purpose, making recommendations to the UK Digital Board as appropriate; and
- 9.43 review UK Digital's relationship with the FCA, the actions taken in relation to any regulatory conduct developments which may have a material impact on UK Digital, and the adequacy of the process for reporting and responding to any material FCA findings or regulatory breaches.

## **10. Reporting Procedures**

- 10.1 The chairman of the Committee shall report to the Board at regular intervals on the matters it has reviewed, making recommendations when requested or when the chairman of the Committee considers appropriate. The Group Company Secretary shall circulate the minutes of the meetings of the Committee to all members of the Board.
- 10.2 The Committee members shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations to the Board for approval.
- 10.3 The Committee shall produce an annual report of the Committee's duties and activities during the year, which will form part of the Company's Annual Report and Accounts.
- 10.4 The chairman of the Committee shall attend the Annual General Meeting and shall answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.
- 10.5 The chairman of the Committee shall ensure material conduct and financial crime risks and events are reported to the Board, making recommendations when requested or when the chairman considers appropriate.