Aviva Wrap UK Limited

Investment Firm Prudential Regime (IFPR) Disclosures

Year ended 31 December 2023

Contents

Overview

Purpose

This document is to provide the market with transparency by making key information available to wider stakeholders and investors. It has been prepared to the principles of the FCA's Investment Firm Prudential Regime (IFPR) and specified in the MIFIDPU sourcebook that came into force on 1 January 2022.

Scope

These disclosures apply to Aviva Wrap UK Limited (UKW), as a non-SNI (small and non-interconnected) firm on an individual basis.

All disclosures in this document are for the year ended 31 December 2023.

As a part of MIFIDPRU 8, the following Disclosures are applicable to UKW being a non-SNI firm on an individual basis. All in-scope entities need to ensure disclosures are appropriate on the following topics and meet the requirements defined in the following section of the regulations:

- Risk management objectives and policies – 8.2.1 R, 8.2.2 R and 8.2.3 G
- Governance arrangements – 8.3.1R, 8.3.2G and 8.3.3G
- Own funds & requirements – 8.4.1 R, 8.4.2 R, 8.5.1R, 8.5.2R
- Remuneration policy & practices – 8.6.1R to 8.6.8R

NB: Other disclosures defined in the MIFIDPRU sourcebook do not apply to UKW.

Frequency and Verification

These disclosures are produced on an annual basis although they would be updated more frequently if needed. They are produced solely for the purposes of satisfying the disclosure requirements of the Investment Firm Prudential Regime in the UK and are not subject to audit, nor do they constitute any form of audited financial statements and should not be relied upon in making judgements about the firm or for any other purpose other than that for which they are intended.

The disclosures have been verified internally and will only be subject to external verification to the extent they are equivalent to those made in published financial information prepared in accordance with International Accounting Standards. They explain how the board has calculated certain capital requirements and information about risk management generally. The disclosures are published on the Aviva website and are easily accessible alongside other Aviva group disclosure documents.

About the Company

Business Overview

UKW is part of the Aviva plc Group, one of the UK's largest insurance providers and one of the leading providers of Life and General insurance in Europe. It is one of the primary trading entities supporting the UK Insurance, Wealth & Retirement (IWR) market as part of the Wealth & Advice business unit. It is 100% owned by Aviva Wealth Holdings UK Limited (AWH) as an intermediary holding company for IWR investment firm subsidiaries. The AWH parent undertaking is Aviva Life Holdings UK Limited (UKLH) which is the main controlling entity for the wider UK IWR business. The ultimate parent undertaking and controlling party is Aviva plc.

UKW provides investment solutions for retail clients through the provision of General Investment Accounts (GIAs) and Individual Savings Accounts (ISAs). Aviva delivers UKW products to market through two platform businesses which operate in separate distribution channels. The more mature of these two businesses is the Advised Platform business, where retail customers invest onto the Aviva Adviser Platform through their relationship with a Financial Adviser (FA). The second platform business is the Aviva Online Investment Service (OIS) which allows the customer the ability to invest directly online.

Products, Services & Strategy

Advised Platform Business

Most affluent customers require support with their financial planning and the Adviser Platform business strategy is to support Financial Advisers (FAs) to give more customers strong financial futures. The Advised Platform offers access to a wide range of investments including over 6,700 from 250 fund groups, a discretionary managed portfolio service, structured products, over 2,000 exchange traded assets and commercial property, as well as a full drawdown capability to support customers who wish to take advantage of Pensions Freedoms. Aviva provides a SIPP product via the platform, through Aviva Pension Trustees UK Limited (UKPTL). Aviva's target market is the mass affluent and mid -market sector, and it maintains close links with key intermediaries mainly the networks and national adviser firms.

Aviva Online Investment Service (OIS)

The OIS platform aims to meet the needs of both Aviva new and back book customers who wish to invest directly for medium and long-term goals, accumulation and decumulation, providing product wrappers that are right for them and their family. The OIS platform is used by over 77,000 investors who can choose from over 5,000 funds from leading UK fund managers for investment in pensions, ISAs or GIAs. It is also designed to support pension consolidation. As a feature and benefit for users it has a fully online service for drawdown with online transfers, a transfer tracking tool and an online withdrawal facility. This platform has a clear and very simple pricing structure which is considered good for novice investors. However, an in-house financial advice service known as Succession Financial Management (SFM), launched in 2016, is available if required. SFM is not part of UKW or UKPTL and operates from within the Succession Wealth Group.

Key Activities Driving Risk

Operational risk is inherent in providing a trading platform and a range of financial products to customers and advisers including the administration of transactions, data, cash, and assets. Given that revenue is directly linked to the value of savings and investments administered on the platform the business equally faces risk from the performance of the financial markets which drives the value of the funds available and the management charges receivable.

There is also risk from unforeseen or increased expenses via the external supply chain and through the internal provision of Group services, although platform operating costs with FNZ are protected contractually and other costs are largely controllable by management.

The Internal Capital Adequacy and Risk Assessment (ICARA) process is used to explore the potential harms associated with the key risks by identifying and calibrating risk scenarios net of the controls operated by the business to mitigate the risk of harm. The outcome of this process is compared to the actual and forecast financial resources over the duration of the 3-year financial plan and routinely monitored so that management can ensure the firm will remain financially resilient to the risks it faces and protect its customers, itself, and the market from adverse outcomes.

The ICARA process is also used to set out a recovery plan to address shortfalls in the capital or liquidity requirements that may emerge with the crystallisation of risk. This includes consideration of the most significant reverse stress risk events in which case the firm retains a minimum level of capital and liquidity to enact a measured wind-down process.

Risk Management

Overview

To promote a consistent and rigorous approach to risk and control management across all businesses, UKW maintains frameworks, policies, methodologies, registers, and supplementary guidance documents that are aligned with the policies and standards prescribed by Aviva Group. On an annual basis the CEO, supported by the CRO, signs-off compliance with the Aviva Group policies and standards, providing assurance to the relevant oversight committee that the framework is being used for managing its business and associated risks.

The Risk Management Framework comprises the systems of governance, risk management processes and risk appetite framework and is owned by the Aviva Plc Board (and adopted by the UKW Board). It establishes the principles and fundamental statements by which Aviva manages risk in line with its agreed risk strategy. This includes establishment of a Group-wide risk taxonomy. The RMF provides a framework for managing risk across the business. To facilitate this goal, the following principles are followed:

- The Business strategy must align with the Risk strategy, considering risk and return, and articulating the business's risk appetite.
- Risk must be taken into account in all key business decisions.
- Accountable executives must support an inclusive culture (including risk culture) that provides for diversity of employment and thought in decision-making, promotes the effective management of risk and controls, the fair and equitable treatment of Aviva's stakeholders and delivers good customer outcomes.
- Accountable Executives to make sure risk exposures remain within risk appetite where this is within their control. Action plans for risks out of appetite must be documented and once agreed, followed without undue delay.
- A robust governance structure, supported by documented Board and committee terms of reference, must exist so that the RMF is implemented effectively.
- The "Three Lines of Defence" model for risk management must be operated effectively, supported by clear and documented delegations of Authority and role profiles, which maintain an appropriate segregation of duties.
- Risks should be classified according to the Group's Risk Taxonomy to provide a consistent basis for the assessment, summarisation, aggregation and reporting of risk, capital, and control information, and to enable comparison between business units.
- Material existing or emerging risks must be actively identified, measured, managed, monitored, and reported (IMMMR process). Risk Identification must be forward-looking to allow Accountable Executives to take proactive action.
- Risks must be measured by considering the significance of the risk to Aviva group-wide and its stakeholders (both internal, such as employees, and external, such as customers) in the context of strategy, objectives, and risk appetite. The internal model (where approved for use in the group) and stress and scenario testing must be adopted as key tools for measuring risk and to facilitate monitoring and reporting risk.
- Accountable Executives should seek to take on only those risks for which there exists the appropriate skills, capability, and resources for managing them and should seek to avoid concentrations of exposure.
- The applicable requirements and expectations of regulators and the law must be complied with.
- The business must provide documented evidence of effective risk management and perform an annual review of both the RMF, including its key components, such as Risk Appetite Framework, policy framework, systems of governance and risk culture.

Application

Three Lines of Defence

UKW manages its risks based on the “Three Lines of Defence” model as shown in Figure 1. The first line of defence comprises business managers, information technology (IT) and Security and Continuity teams who manage business risks on a daily basis; the second line of defence comprises the Risk and Compliance teams under the direction of the CRO who advise and challenge the business on the management of its risks; and the third line of defence comprises Internal Audit who assess and report on the effectiveness of controls.

The roles of the three lines of defence each contribute to embedded risk management. Role profiles, agreed objectives and where appropriate, delegated authority letters, are in place which makes each relevant employee’s risk management responsibilities clear.

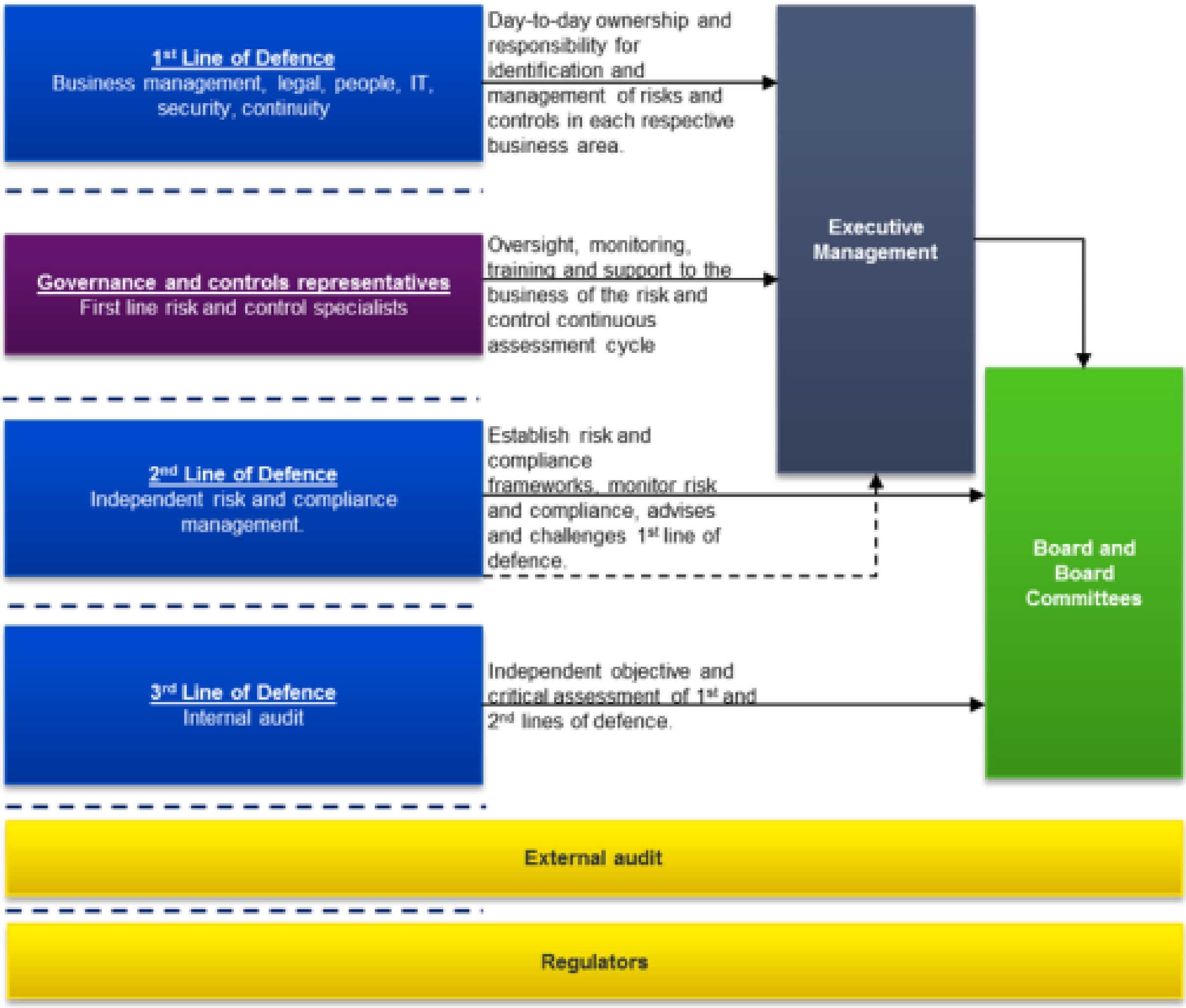

Figure 1: The UKW “Three Lines of Defence” risk management model.

Risk Preferences

UKW sets risk preferences as qualitative statements that express where the business prefers to take risks in absolute terms (or else accept or avoid) and why, applied to individual risk type. Business plans need to consider risk preferences and they are considered at a high-level in any decision making to ensure that the outcomes are consistent with the defined preference.

Internal Capital Adequacy and Risk Assessment (ICARA)

The requirement to complete an ICARA is applicable to UKW as an FCA regulated MIFIDPRU investment firm. This is an ongoing process although the ICARA Document is a review of the adequacy of the ICARA process alongside an updated annual assessment of the overall financial adequacy of the firm over the next 3 years.

The key focus of the ICARA is the concept of harms - to consumers, markets, and the firm. UKW mitigates against these harms in the form of holding either capital or liquidity. Firms must identify where they do not have adequate systems and controls which could create problems with the outcomes for clients, market, and the firm.

In summary, the ICARA includes the below three activities:

1. Determining the amount of capital and liquidity that needs to be held to ensure that the business can withstand the impact of a severe, yet plausible 1-in-200-year combination of its top-down current risks crystallising.
2. Developing operational risk scenarios, stress testing and wind down plans through workshops that are conducted between the risk function, firm management, and subject matter experts (SMEs). These are used in the ICARA to assess and stress the capital position of UKW. Workshop participants are briefed using data from the business, such as the current and future risk profiles, internal / external events, internal audit open issues, monitoring measurement results and internal / external reviews performed.
3. Assessing the capital and liquidity requirements of UKW. The scenarios and calculations generated are discussed in detail with the relevant members of firm management and updated for the feedback received. The final ICARA document is discussed, challenged, and ultimately approved by the Board.

Risk Appetite

On top of the capital and liquidity requirements identified through ICARA there is an internal policy to hold a buffer over and above the regulatory levels known internally as the Risk Appetite. Overarching Risk Appetites represent quantitative expressions of the degree of risk accepted in seeking to deliver the business strategy.

UKW currently sets two overarching risk appetites:

- **Solvency Risk Appetite (SRA)** – a buffer of Own Funds to manage the risk of breaching the regulatory capital requirement (and subsequent intervention by the regulator) in the pursuit of key strategic goals.
- **Liquidity Risk Appetite (LRA** – a buffer of liquid assets to ensure there is sufficient operational liquidity to continue to meet payments under stressed conditions and take management action when needed.

Monitoring

Monitoring against the LRA is ongoing and reported monthly whereas monitoring against the SRA is performed quarterly. This is reported to and reviewed by the Board at each quarterly meeting through the CFO Report, and to a wider IWR business Financial Risk and Solvency Forum (LFRSF).

Trigger Reviews

The trigger review is a periodic review of the capital and liquidity requirements to ensure that the assumptions set remain relevant throughout the year. A trigger review is typically initiated by a material change in the external or internal environment. In stable conditions, operational risk would not be expected to materially move over a year. Breach of any agreed triggers would prompt discussion and potential recalibration of specific risks and the requirement to hold capital and/or liquidity as a necessary mitigant.

Effectiveness

The Board of UKW reviews the effectiveness of risk management and ICARA annually. This includes an assessment of compliance with the principles (set out above) and policies; supplemented with a review of events and issues that have occurred and impacted the control environment. The effectiveness of ICARA is measured through a process of internal and external benchmarking including guidance provided by the FCA.

Governance

Boards Structure

Aviva plc Board

UKW forms part of the Aviva Group headed by Aviva plc. The Aviva plc Board is responsible for determining the overall Group risk appetite, which is an expression of the risk that the Aviva Group is willing to take. Risk appetite is set relative to capital, liquidity and franchise value at group and individual entity level. The Group's position against risk appetite is monitored and reported to the Aviva plc Board on a regular basis.

Aviva Life Holdings UK Limited

UKW is an indirect subsidiary of UKLH, a UK incorporated non-regulated company which is wholly owned by Aviva Group Holdings Limited and ultimately by Aviva plc. The UKW Board memberships are subject to endorsement from both the UKLH CEO and Aviva Group, the latter being in line with the Aviva Group's Escalation and Sign-off procedure and Subsidiary Governance Principles.

The Board

The Board of UKW is responsible for organising and directing its respective affairs in a manner that is most likely to promote its success for the benefit of its shareholders as a whole and in a way which is consistent with its Articles of Association, applicable regulatory requirements, and current corporate governance practice. The CEO (SMF1) of UKW is also CEO of Aviva Life Holdings UK Limited, and the CEO of the IWR business unit as a key segment of the Aviva Group.

Directors and management of UKW are committed to maintaining a strong risk, control, and compliance culture throughout the organisation. This is achieved by adopting the principles of risk management set out above, and through an effective Board of Directors underpinned by committees and policies, process, and controls. Board members all have specific responsibilities in support of the overall governance model, matched with and defined by the FCA's Senior Managers and Certification Regime (SM&CR).

Board members have specific responsibility to review and monitor current and future risks. The governance committees are responsible for reviewing and setting policies and procedures for the business lines within UKW. These committees are established to assist and support Board members manage key strategic matters; review business activity and risks; and provide support where needed.

A summary of the Board governance structure is shown in Figure 2.

CASS Committee

The Joint CASS Governance Committee has been set up as the firms' governing body that oversees all aspects of CASS compliance for UKW, chaired by an Executive Director of the firm (SMF3). This forum has been established to facilitate monitoring and oversight and thereby assist UKW fulfil its regulatory obligations pertaining to Principle 10 and compliance with the Financial Conduct Authority's Client Asset (CASS) regime.

Directorships

There are no Directors of UKW that hold directorships outside the Aviva Group.

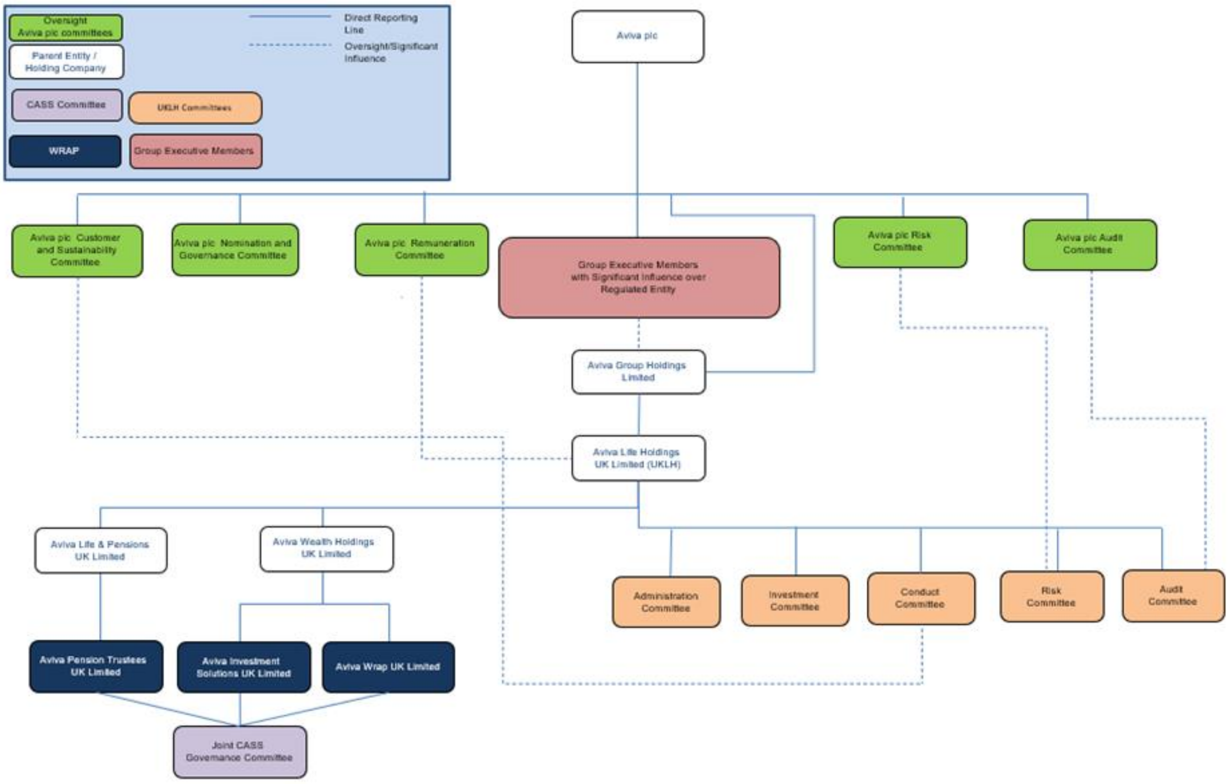

Figure 2: The UKW Board governance structure.

Business Governance

The Board delegates day-to-day management of UKW to the Wealth & Advice business unit Senior Leadership Team (SLT). This forum is chaired by the Managing Director of the Wealth & Advice business unit who is also a member of the broader IWR executive management team which assists with the oversight of the Wealth & Advice business and its regulated entities.

The Wealth SLT discharge through their responsibilities through regular meetings supported by two sub-committees. The purpose of the committees is to provide challenge and oversight concerning the strategic, financial, reputational, operational, investment, emerging and conduct risks as follows:

Collectively the committees control aspects of the day-to-day management of the companies involved with the Wealth & Advice business. Decisions are taken by individual executives as part of their delegated authority or escalated appropriately to an appropriate Board, Committee, or alternative Individual.

Senior Leadership Team Meeting

To oversee the management of the Wealth & Advice business including strategy, operational performance, change, marketing, propositions, distribution, IT, and outsourcing.

Wealth & Advice Risk Committee

To oversee, monitor, and challenge the risk management practices, processes and control framework for Wealth & Advice, ultimately ensuring that risks operate within the agreed business risk appetite. Includes regulatory compliance, customer and conduct outcomes, operational risk, financial risks, data and information security, financial crime, and operational resilience.

NB: UKW does not have a dedicated Risk Committee of the Board as this is not a mandatory requirement under MIFIDPRU 7.3.1R rather it is supported by the broader Wealth & Advice Risk Committee.

Change Steering Group

The role of the Change Steering Group is to support the Wealth & Advice business to effectively manage change delivery to time, cost, quality and within risk tolerance. This includes providing support to the Board and executives of UKW adhere to the accountabilities set out in the internal change management governance standards, and in relation to all relevant defined regulatory responsibilities.

Policies

The governance of UKW is also underpinned by a complete range of Aviva Group and company specific policies which are aligned to the relevant accountable executives and reviewed at least annually.

Diversity, Equality, and Inclusion

The Board is committed to having a diverse and inclusive leadership team which provides a range of perspectives and insights and the challenge needed to support good decision making. Diversity at Aviva includes, but is not limited to, gender, ethnicity, skills and experience, geographic and socio-economic and educational backgrounds, disability, and sexual orientation. The ways in which UKW, and all Aviva group companies, puts into practice these values are set out in the Aviva plc Board Diversity, Equity, and Inclusion Statement available on the company website.

Own Funds & Requirements

Own Funds

The Own Funds of UKW is summarised in the tables as defined in the FCA rule book MIFIDPRU 8 Annex 1.R.

OF1: Composition of regulatory own funds.

	Item £000s	FY23	Reference*
1	**OWN FUNDS**	**49,846**	
2	**TIER 1 CAPITAL**	**72,495**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**72,495**	
4	Fully paid-up capital instruments	169,500	J & 10
5	Share premium	-	
6	Retained earnings	(97,005)	11
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	**(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	**(22,649)**	
19	CET1: Other capital elements, deductions, and adjustments	(22,649)	F & 8
20	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	**-**	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	-	
25	**TIER 2 CAPITAL**	**-**	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	**(-) TOTAL DEDUCTIONS FROM TIER 2**	**-**	
29	Tier 2: Other capital elements, deductions, and adjustments	-	

* Reference to the notes in the audited financial statements available on Companies House.

Figure 3: Composition of regulatory own funds.

OF2: Own funds: reconciliation of regulatory own funds to the audited financial statements.

	Item £000s	FY23	FY22	Cross ref OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Deferred tax assets	0	1,113	n/a
2	Tax assets	2,510	466	n/a
3	Receivables	6,506	4,205	n/a
4	Deferred acquisition costs	22,649	18,987	OF1: Row 19
5	Prepayments and accrued income	1,177	1,101	n/a
6	Cash and cash equivalents	43,339	56,526	n/a
	Total Assets	**76,181**	**82,398**	**n/a**
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Payables and other financial liabilities	3,686	5,072	n/a
	Total Liabilities	**3,686**	**5,072**	**n/a**
Share holders' Equity				
1	Ordinary share capital	169,500	169,500	OF1: Row 4
2	Retained earnings	(97,005)	(92,174)	OF1: Row 6
	Total Shareholders' equity	**72,495**	**77,326**	**OF1: Row 2**

Figure 4: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements.

OF3: Own funds: main features of own instruments issued by the firm.

Summary
169,500,000 ordinary shares of £1 each, allotted, called up and fully paid at par. £169,500,000 recognised as regulatory capital as at the reporting date of 31 December 2023. UKW is a private limited company, wholly owned by the Aviva Group.

Figure 5: Main features of own instruments issued by UKW.

Own Funds Requirements

Capital Requirements

UKW is a non-SNI MIFIDPRU investment firm and is required to comply with the investment firm prudential regime as set out in MIFIDPRU. Under MIFIDPRU4.3, UKW must maintain Own Funds (OF) that are at least equal to its Own Funds Requirement (OFR). The OFR of UKW will be the higher of:

- Its permanent minimum capital requirement (PMR)
- Its fixed overhead requirement (FOR)
- Its K-factor requirement (KFR)

Additionally, under MIFIDPRU, UKW is required to comply with the Overall Financial Adequacy Rule (OFAR) which will determine if UKW has adequate Own Funds and Liquid Assets to:

- Ensure it can remain viable throughout the economic cycle, with the ability to address any potential harms from its ongoing activities; and
- To allow its business to wind down in an orderly way.

Permanent Minimum Capital Requirement (PMR)

The rules for the permanent minimum capital requirement (PMR) are found in MIFIDPRU4.4. The FCA have set the PMR as £750k, £150k or £75k, based on the investment services and activities a firm carries out.

UKW is subject to a PMR of £150k due to having permission to hold client money but does not fall into the highest category as it does not have permission to deal on own account.

Fixed Overhead Requirement (FOR)

The fixed overheads requirement (FOR) applies to all FCA investment firms. The rules for the FOR are set out in MIFIDPRU 4.5.

The FOR is determined as one quarter of the firm's relevant expenditure of the preceding year or projected fixed overheads if there has been a material change to projected relevant expenditure during the year.

The fixed overhead expenses for UKW are derived based on the total relevant expenditure as per the applicable accounting framework (International Financial Reporting Standards) less deductions arising from discretionary costs and non-recurring expenses from non-ordinary activities.

At 31 December 2023, UKW's FOR is £5.3m.

K-Factor Requirement (KFR)

The K-factor own funds requirements (KFR) are a mixture of activity and exposure-based requirements designed to cover the breadth of potential harm to customer, market, and firm. The K-factors that apply to an individual FCA investment firm will depend on the MiFID investment services and activities it undertakes.

For UKW, the following K-Factors apply:

- **K-CMH** – client money held, designed to capture the potential for harm caused by holding client money.
- **K-ASA** – assets safeguarded & administered, designed to capture the potential for harm caused by holding client assets.
- **K-COH** – client orders handled, designed to capture the potential for harm caused by handling client orders.

These are calculated in accordance with the rules found in MIFIDPRU 4.7 to 4.16 and the results are summarised in Figure 6.

K-Factor	Amount £m
K-CMH	2.00
K-ASA	5.07
K-COH	0.04
KFR / OFR	**7.11**

Figure 6: Determination of the K-Factor capital requirement for UKW.

Summary

The Own Funds Requirement (OFR) is the higher of these calculations and is derived from the KFR of £7.11m.

Overall Financial Adequacy Rule (OFAR)

The Overall Financial Adequacy Rule (OFAR) requires a firm to evidence it will maintain both Own Funds and Liquid Assets above the threshold requirements for the duration of the financial plan. This should include consideration for stress and scenario testing and the potential impact that this may have on own funds and liquid assets.

Compliance with the OFAR is monitored through the ICARA process which includes triggers for action and notifications. The process for the Board to monitor capital and liquidity is defined in the ICARA Process Manual and the Recovery Plan is a key section in the ICARA Document.

Remuneration Policy and Practices

Remuneration Governance

Aviva Group Remuneration Committee

The Aviva Group Remuneration Committee oversees Aviva's remuneration policies and practices. The Committee considers alignment between Group strategy and the remuneration of Directors and Material Risk Takers ('MRT's) within Aviva. The Committee also works with the Board Risk Committee to ensure that risk and risk appetite are properly considered in setting the remuneration policy. The full roles and responsibilities of the Aviva Group Remuneration Committee are available on the Investor Relations website, found here:

http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/board-committees/remuneration-committee/

The Aviva Group Remuneration Committee is comprised of Independent Non-Executive Directors Pippa Lambert (Chair), Andrea Blance, Patrick Flynn and Jim McConville. Andrea Blance, Patrick Flynn and Jim McConville were also members of the Board Risk Committee during 2023. The Aviva Group Remuneration Committee met on seven occasions in 2023.

When setting remuneration policy, the Remuneration Committee considers the company's strategic objectives and take into account the long-term interests of shareholders and other stakeholders.

During 2023 the Aviva Group Remuneration Committee received independent advice on executive remuneration matters from Deloitte LLP which is a member of the Remuneration Consultants Group and adheres to its Code of Conduct.

Remuneration Policy

The Aviva remuneration policy is consistent with Aviva's remuneration principles which support the execution of Aviva's strategy, rewarding sustained performance and growth aligned with our values:

- **Performance aligned -** we differentiate reward based on performance. Outcomes are aligned with Aviva, business-line, and individual performance, both financial and non-financial.
- **Competitive** - we focus on the total reward package, ensuring that reward programme design and outcomes are market aligned and competitive, enabling the attraction, motivation, and retention of high-quality colleagues.
- **Simple, transparent, and consistent -** we operate a 'one Aviva' approach to reward. Our reward programmes are only as complex as necessary. They are easily understood.
- **Fair** - our reward programmes and decision-making support Aviva's commitment to create a diverse and inclusive organisation, ensuring that all colleagues are rewarded fairly in view of the results achieved and individual contributions. Our reward approach is designed to attract, motivate, and retain high quality colleagues, regardless of gender, ethnicity, age, disability, or any other factor unrelated to performance, contribution or experience.
- **Doing the right thing** - we do the right thing through reward programmes that support Aviva's values, behaviours, and sustainability objectives. Outcomes consider expectations of Customers, Colleagues and Shareholders.
- **Risk aligned -** reward is designed to promote sound and effective risk management, within a robust internal governance framework.

Link Between Pay and Performance

Performance is measured against a combination of:

- **Aviva Group performance** - a rounded assessment of performance against key financial and non-financial performance indicators as part of a balanced scorecard. The assessment of financial performance includes reference to actual results versus prior period results, agreed plans, relativity to competitors and progress towards our long-term target ambition; and
- **Non-financial Considerations** - including management of risk, diversity and inclusion, customer, and employee engagement metrics; and
- **Business Unit Performance** - contribution of each business area to the overall success of the Aviva, year on year growth and execution of its strategy; and
- **Individual Performance** - delivery against individual goals and relative performance in comparison to peers, as well as the extent to which individuals have demonstrated the Aviva values and alignment with conduct and behaviour expectations.

The Performance assessment does not encourage risk taking outside Aviva's stated risk appetite and includes mechanisms by which performance against risk and conduct related measures has a significant impact on the availability and size of business and individual variable awards.

The Risk function provide an independent assessment of risk and control effectiveness to the Aviva Group Remuneration Committee for consideration in setting the bonus pool. The assessment is based on a balanced scorecard with metrics designed to drive and reward good risk management behaviours and outcomes, and measures to ensure appropriate independent challenge and review. The assessment includes consideration of both current and likely future risks facing the business.

The Risk function also input on any risk and conduct breaches occurring during the year that could impact variable remuneration outcomes on an individual basis. Future risks identified that have a likelihood of materialising may result in withholding or reduction in variable remuneration.

The remuneration of employees in Control Functions (defined as Risk, Compliance and Audit) is determined independently of the financial results of Aviva in order to reinforce the independence of these functions. To avoid conflicts of interest, no individual is involved in decisions relating to their own remuneration.

Structure of Remuneration

Fixed Remuneration

- **Basic Salary** - set within an appropriate market range and reflecting a colleague's professional experience and organisational responsibilities. Fixed pay is set at a level which is sufficient to allow the possibility, where performance warrants, that an employee may receive no variable pay.
- **Benefits** - standard benefits are provided that are appropriate to the market, compliant with all legal requirements and intended to provide choice and flexibility to meet individual needs.

Variable Remuneration

- **Annual Bonus** - a discretionary short-term incentive plan where individuals may receive a bonus based on business and individual performance against targets. All Aviva colleagues who are permanent employees or Fixed Term Contractors are eligible to be considered for an annual bonus.

  Annual bonuses are typically received in cash but for employees at Director level awards have a portion deferred to align the interests of employees with those of the company, its customers, and shareholders and to aid retention. A three-year deferral with pro-rata vesting in Aviva Group Plc shares applies.

- **Long Term Incentive Plan ('LTIP') Awards** - a discretionary long-term incentive plan to reward the achievement of the Company's longer-term objectives, to aid the retention of our key people and to align the interests of our senior managers with those of our shareholders. Senior colleagues are eligible to be considered for an LTIP.

LTIP awards vest after three years. LTIP awards to the Group Executive are made as performance shares, which are forward-looking in nature, taking into account performance (financial and non-financial) of the Company over the three years (the "performance period"). LTIP awards below the Group Executive are vesting is subject to acceptable personal performance and conduct over the period.
- Variable remuneration is discretionary and fully flexible, including the possibility of zero if performance thresholds are not met.

Malus and Clawback

All variable pay granted or paid to any Aviva employee is subject to Aviva's Malus and Clawback Policy. This includes the cash and deferred elements of the annual bonus plan and any LTIP. The circumstances when Malus and Clawback may apply are documented in the Directors Remuneration Policy section of the Annual Report and Accounts, found here:

https://www.aviva.com/investors/annual-report/

Guarantees

Guaranteed awards are only offered for the year of hire in exceptional circumstances and provided the legal entity has a sound and strong capital base. In line with Aviva's policy, guarantees must:

- Not be more generous than necessary and only offered if alternate approaches are not considered appropriate.
- Not be offered to Executive Directors.
- Be subject to a minimum standard of personal performance, behaviour and conduct.

Guarantees are subject to appropriate governance and approvals and are subject to Aviva's Malus and Clawback Policy.

Severance

Any severance payment above and beyond statutory or existing contractual entitlements is at the company's absolute discretion. There is no automatic right to a pro-rata bonus payment in the event of termination of employment by the company or individual. Any bonus payments related to early termination of contracts are at the company's discretion and will reflect performance achieved over time and designed in a way which does not reward poor conduct or failure. Treatment of any unvested share, fund or bonus awards are governed by the relevant plan rules. There is no automatic entitlement to any payment under these plans other than where expressly stated in the plan rules.

The maximum severance pay is based on Aviva applicable policies; in the event of redundancy the maximum severance pay is calculated based on year of service, with each year of service representing a proportion of salary as per Aviva Discretionary Redundancy policies, plus a discretionary pro-rata lost bonus opportunity.

In non-redundancy exits the maximum severance pay is determined based on a number of factors linked to the reason for the exit and the employees' length of service.

Material Risk Taker Identification

UKW has identified MRTs in accordance with the FCA Remuneration rules and guidance as set out in SYSC 19G. In addition, UKW undertakes an additional qualitative assessment to identify any further individuals whose professional activities / who could have a material impact on the risk profile of the firm.

The roles identified as MRTs under the MIFIDPRU Remuneration Code include:

- Board Members.
- Senior Management of the entity, including FCA-designated senior management functions.
- Employees in control functions who have oversight of the regulated entities.
- Individuals that could have a material impact on the regulated entity in terms of financial Loss, financial misstatement, reputational considerations, or Customer/Market/Regulator conduct.

The MRT population is reviewed at least annually by the Remuneration Committees and individuals are notified of their status.

Quantitative remuneration disclosures – Aviva Wrap UK Limited

Amount £m	Senior Management	Other MRTs	Other Staff	Total (All Staff)
Total fixed remuneration	1.61	4.73	31.55	37.89
Total variable remuneration	2.74	7.11	4.05	13.90
Total remuneration	**4.35**	**11.84**	**35.60**	**51.79**

I. *Other staff includes colleagues whose activities are directly attributable to Aviva WRAP UK Limited. Functional and operational support is provided by the wider Aviva Group and is not included in these disclosures.*

Figure 7: Total remuneration awarded.

Amount £m		Senior Management	Other MRTs	Total (All Staff)
Guaranteed bonuses	Number of MRTs	-	-	-
	Total amount	-	-	-
Severance payments	Number of MRTs	-	-	-
	Total amount	-	-	-

i. No guaranteed variable remuneration or severance payments are disclosed, either due to no MRT being awarded such payments during the financial year or as permitted by the exemption set out in MiFIDPRU 8.6.8 (7) and to prevent individual identification of an MRT.

Figure 8: Guaranteed bonuses and severance payments made to MRTs.

Amount £m	Senior Management	Other MRTs	Total (All Staff)
Number of MRTs	6	20	26
Total variable remuneration	2.74	7.11	9.85
Of which cash-based			
Of which: non-deferred	0.63	2.79	3.42
Of which: deferred	-	-	-
Of which is shares			
Of which: non-deferred	-	-	-
Of which: deferred	2.11	3.90	6.01
Of which is share-linked instruments or equivalent non-cash instruments			
Of which: non-deferred	-	-	-
Of which: deferred	-	0.41	0.41
Of which is other forms			
Of which: non-deferred	-	-	-
Of which: deferred	-	-	-

Figure 9: The amount and forms of remuneration awarded to MRTs.

Amount £m	Senior Management	Other MRTs	Total (All Staff)
Amount of deferred remuneration awarded for previous performance periods			
Of which: due to vest in the financial year in which the disclosure is made	1.72	1.81	3.53
Of which: due to vest in subsequent years	3.28	4.09	7.37
Amount of deferred remuneration due to vest in the financial year in which the disclosure is made			
Of which: is or will be paid out	1.59	1.81	3.40
Of which: the amount was due to vest but withheld as a result of performance adjustment	0.14	-	0.14

i. Deferred remuneration includes annual bonus, LTIP, and other deferred awards based on value at grant.

Figure 10: MRT outstanding deferred remuneration.

Exemptions

There were no exemptions for individual MRTS as set out in SYSC 19G.5.9R applied.