

## **Appendix 2 - UK Life CRD IV Disclosure**

### **Pillar 3 Remuneration Disclosure for Aviva Wrap UK Limited and Aviva Investment Solutions UK Ltd for the 2021 Performance Year (01/01/2021 – 31/12/2021)**

#### **Section 1: Governance of the Remuneration Policy**

This document sets out the remuneration disclosures required pursuant to Article 450 of the Capital Requirements Regulation, relating to the Identified Staff of the following entities:-

- Aviva Wrap UK Limited (WRAP)
- Aviva Investment Solutions UK Ltd (AIS)

These two firms within the UK & Ireland Life business are subject to the Capital Requirements Directive IV (CRD IV) and the FCA Remuneration Code (SYSC 19A). The principal activity of both firms is the sale of units in authorised unit trusts, shares in open ended investment company (OEICs) sub-funds, and the management of Individual Savings Accounts. Both firms are designated as a level three organisation as defined in the Remuneration Code.

#### **1. Decision-Making Process**

##### **a) Composition and Mandate of the Remuneration Committee**

Remuneration at WRAP and AIS is governed by Aviva's Group Remuneration Committee 'The Committee' which meets regularly to consider issues relating to the remuneration policy and structures for the Aviva Group including the terms of annual bonus and long-term incentive plans and individual remuneration packages for all employees to which the Remuneration Code applies.

The Committee met ten times during 2021, of which six were scheduled meetings and four were additional meetings outside of the normal timetable.

The Group Chairman attended all meetings of the Committee. The Group General Counsel and Company Secretary acted as secretary to the Committee. The Chair of the Committee reported to subsequent meetings of the Board on the Committee's work and the Board received a copy of the agenda and the minutes of each Committee meeting.

During the year, the Committee received assistance in considering executive remuneration from a number of senior managers, who attended certain meetings (or parts thereof) by invitation during the year, including:

- the Group CEO;
- the Group CFO;
- the Chief People Officer;
- the Group Reward and Performance Director;
- the Chief Financial Controller;
- the Chief Audit Officer;
- the Group Chief Risk Officer; and
- the Remuneration Committee Chair of Aviva Investors

No person was present during any discussion relating to their own remuneration.

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Full details of the Committee including its terms of reference can be found here:  
<http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/board-committees/remuneration-committee/>.

Alignment between The Committee and the Board Risk Committee (BRC) is achieved through some Non-Executive Directors sitting on both Committees. Further alignment is encouraged by private sessions at the BRC when remuneration is discussed and Company Secretary facilitating the sharing of key points discussed in this session.

### b) The decision-making process used for determining the remuneration policy

The Committee approves the Remuneration Policy Statements for WRAP and AIS. They consider the alignment between Group strategy and the remuneration of its Code Staff as critical. Our Remuneration Policy provides market competitive remuneration, and incentivises Code Staff to achieve both the annual business plan and the longer-term strategic objectives of the Group. Significant levels of deferral and an aggregate shareholding requirement align the interests of Code Staff to those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met

### c) External Consultants

During the year, the Committee received advice on executive remuneration matters from Deloitte LLP. Deloitte LLP were approved as advisers to the Committee in 2012 following a competitive tender process. The Committee regularly reviews and satisfies itself that the advice received from Deloitte LLP is independent and objective. The Committee notes they are a member of the Remuneration Consultants Group and adhere to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on taxation, financial due diligence, risk, compliance and other consulting advisory services (including technology transformation and cyber).

Tapestry Compliance Limited, appointed by the Company, provided advice on share incentive plan related matters, including on senior executive remuneration matters and views on shareholder perspectives.

### d) Mandate of the Remuneration Committee

The Remuneration Committee takes full account of the company's strategic objectives in setting remuneration policy and is mindful of its duties to shareholders and other stakeholders.

The Remuneration Policy for Directors was approved by shareholders in 2021. The Policy is cascaded through management levels, ensuring alignment across our senior executives. Through consultation, shareholders and key stakeholders have given support for our approach for this three-year policy period. We are committed to paying for performance, and not paying excessively. We are also committed to ensuring pay outcomes are linked to the experience of our shareholders and reflect the effectiveness of risk management.

## **2. Link between pay and performance**

Performance Measures

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For the annual bonus, performance measures are chosen to align to the Group's KPIs and include financial, risk, employee and customer measures, while achievement against individual strategic objectives is also taken into account. The Committee also considers the overall performance of the business and any wider circumstances, and has the ability to apply overarching discretion to adjust formulaic outcomes.

Long Term Incentive performance measures are chosen to provide an indication of both absolute and relative return generated for shareholders. In terms of target-setting, a number of reference points are taken into account each year including, but not limited to, the Group's business plan and external market expectations of the Company. Maximum payouts require exceptional performance that significantly exceeds performance targets or expected performance, under both the annual bonus and Long Term Incentive.

Senior management objectives and pay decisions were determined by the Remuneration Committee as follows:-

### **Governance, regulatory issues and reporting policy**

- ▶ Reviewed updates from external advisers on the regulatory environment and on benchmarking the Company's remuneration policies and practices
- ▶ Refined the measures in the remuneration policy to align with Aviva's overall strategy and ambitions.
- ▶ Engaged key shareholders on the financial and non-financial measures for the 2021 And 2022 annual bonus and the 2021-2023 and 2022-2024 LTIP.
- ▶ Reviewed and approved the Company's annual remuneration regulatory reporting and disclosures.
- ▶ Reviewed and approved the Reward Governance Framework policies.
- ▶ Approved the list of in scope staff in respect of the different regulatory regimes to which the Company is subject.

### **Senior management objectives, pay decisions, bonus and LTIP target setting**

- Determined appropriate levels of discretion to be applied to ED and ExCo remuneration outcomes, taking into account the global pandemic, shareholder experience and the risk and control environment
- Reviewed engagement with shareholders on 2021 annual bonus and LTIP measures, including climate, customer and risk as strategic measures
- Discussed and approved the annual bonus targets for 2021 taking into account expected disposals
- Reviewed and approved the proposed individual remuneration for each member of the ExCo in relation to their performance
- Agreed an appropriate approach to remuneration packages for incoming and outgoing ExCo members in line with policy
- Reviewed wider workforce pay and employment terms and conditions
- Concluded its review of 2020 performance:
  - Reviewed the Risk and Internal Audit 2020 Performance Opinion in relation to remuneration
  - Discussed and approved the overall maximum bonus pool available to senior managers for the 2020 performance year, taking into account measures on culture and risk as well as on financial performance

### **Share plan operation and performance testing**

- Reviewed performance testing of all existing LTIP awards, and approved targets for the 2021 LTIP awards
- Approved vesting outcomes for the 2018 LTIP and noted the interim testing for the 2019, 2020 and

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2021 awards

- Approved proposed changes to the LTIP and ABP, All Employee Share Ownership Plan (AESOP) and Global Matching Share Plan plan rules ahead of the 2021 AGM
- Reviewed the proposed changes to future LTIP grants
- Reviewed and approved any application of malus and clawback
- Approved the terms of the SAYE, the Aviva Ireland Save as You Earn Scheme, the Ireland Profit Share Scheme, and the invitation terms for eligible employees

The Committee's decisions are taken in the context of the Reward Governance Framework, which sets out the key policies, guidelines and internal controls.

### **Section 2: Remuneration System Design**

#### **3. Design Characteristics and Performance Criteria**

##### a) Key Principles of our approach to remuneration

The remuneration framework is based on a total reward approach and is designed to achieve alignment with Aviva's business strategy. Remuneration packages have an appropriate proportion of pay 'at risk', subject to the achievement of stretching goals, which is aligned with the Company's risk profile and employee behaviour.

##### b) Components of Compensation

There are four components of pay:

- Basic Salary – set within an appropriate market range, which is sufficient to allow the possibility, where performance so warrants, that an employee may receive no variable pay.
- Annual bonus – a discretionary short term incentive plan where individuals have the opportunity to receive a bonus (which may be subject to deferral into Group shares for up to 3 years) based on business and individual performance against targets. The extent to which each aspect of performance affects the overall payment level depends on the role and responsibilities of the individual. Company and Individual performance are measured against objectives built under Financial, Customer and People headings.
- Long Term Incentive Plan – is intended 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. LTIP awards to the Group Executive are made as performance shares, which are forward-looking in nature, taking into account performance (Total Shareholder Return and Return on Equity) of the Company over the three years (the "performance period"). LTIP awards below the Group Executive are made as restricted stock units, with no formal performance conditions, although vesting is subject to acceptable personal performance and conduct over the period.
- Benefits in Kind – standard benefits are provided that are appropriate to the market.

##### c) Criteria used for performance measurement

These are reflected in the bonus scorecard against which performance was assessed, comprising:

#### **Financial and non-financial performance metrics**

- IFRS Operating profit
- Cash remittances

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- Solvency II cash generation
- Strategic Measures
  - Risk Inside Tolerance (RIT)
  - Risk Controls Quality
  - Relationship Net Promoter Score (RNPS)
  - Transactional Net Promoter Score (TNPS)
  - Employee Engagement

While the outcome against the bonus scorecard provides a pool of funding for bonuses, actual bonus decisions are made based on: individual contribution and achievements, how the person has assisted the Group and/or business achieve progress against its strategic objectives, the leadership they have exhibited, performance against Risk and Control objectives and how the individual has demonstrated the Aviva values.

### d) Code of Conduct

Aviva believes in rewarding strong performance and achievement of our business and individual goals, however, the manner in which these goals are achieved is also important. We do not consider it appropriate to reward people who have engaged in inappropriate behaviour or conduct which is not in line with Aviva's values.

### e) Malus and Clawback

The circumstances when malus and clawback may apply include (but are not limited to) where the Committee considers that the employee concerned has been involved in or partially or wholly responsible for:

- A materially adverse misstatement of the Company's financial statements, or a misleading representation of performance; or
- A significant failure of risk management and/or controls;
- A failure to meet appropriate standards of fitness and propriety;
- A material corporate failure in any Group member;
- A material error in the calculation of a financial or non-financial performance metric used to determine the outcome of Variable Pay;
- A scenario or event which causes material reputational damage to the Company;
- Misconduct which, in the option of the Committee, ought to result in the complete or partial lapse of an award;
- Conduct which resulted in significant loss(es) or summary termination of employment;
- Failure to meet appropriate standards of fitness and propriety;
- A material error (as defined by the Board) in the calculation of a financial or non-financial performance measure used to determine the outcome of variable pay, or any other error or material misstatement that results in overpayment to employees;
- Any circumstances determined by the Board that mean the underlying financial health of the Group or member of the Group has significantly deteriorated, resulting in severe financial constraints which preclude or limit the ability to fund variable pay;
- Any other circumstance required by local regulatory obligations or, in the Board's opinion, justifies the reduction or repayment of variable pay.

All variable pay granted or paid to any Group employee is subject to malus and clawback, in accordance with the Company's Malus and Clawback Policy. This includes the cash and deferred elements of the annual bonus and long term deferred awards.

The clawback period runs for two years from the date of payment in the case of the cash element of

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any annual bonus award.

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

### **Section 3: Quantitative Information**

#### **4. Code Staff criteria**

The following groups of employees have been identified as meeting the criteria for Code Staff:

- Members of the firm's board e.g. statutory directors including non-executive directors.
- Any director\employee holding any of the following currently defined FCA Control Functions in respect of the firm (changes to be made as appropriate should FCA change the control function definitions);
  - SMF1 (Chief Executive Officer)
  - SMF2 (Chief Financial Officer)
  - SMF3 (Executive Director)
  - SMF4 (Chief Risk Officer)
  - SMF5 (Head of Internal Audit)
  - SMF7 (Group Entity Senior Manager)
  - SMF16 (Compliance Oversight)
  - SMF17 (Money Laundering Reporting)
  - SMF18 (Other Overall Responsibility)
  - SMF24 (Operations);
- Any employees with delegated financial or other authority for the firm equivalent to directors\members of the firm's board.
- Senior Managers responsible for management/supervision for a significant business line/unit/function/team and those who have a material impact on Aviva's risk profile in this Legal Entity (LE)
- Risk Takers – all staff whose professional activities could have a material impact on Aviva's risk profile in this LE
- Other – any employee in this LE receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile.

The Code Staff population is reviewed at least annually by the Remuneration Committee and Code Staff are notified of their status.

#### **5. Aggregate quantitative information on remuneration**

##### Aviva Wrap UK Ltd

There were **16** Senior Manager Code Staff for all or part of the 2021 performance year. Aggregate remuneration expenditure in respect of Senior Manager Code Staff for the 2021 performance year was **££8.2m**.

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Of this total 39% is fixed remuneration, 18% pension/benefits and 43% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to Senior Manager Code staff, 54% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.

There were **3** other Code Staff for all or part of the 2021 performance year. Aggregate remuneration expenditure in respect of other Code Staff for the 2021 performance year was **£784,167**.

Of this total 56% is fixed remuneration, 9% pension/benefits and 35% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to other Code staff, 18% was deferred in to Aviva Group shares.

### **Aviva Investment Solutions UK Ltd**

There were **18** Senior Manager Code Staff for all or part of the 2021 performance year. Aggregate remuneration expenditure in respect of Senior Manager Code Staff for the 2021 performance year was **£8.1m**.

Of this total 40% is fixed remuneration, 20% pension/benefits and 40% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to Senior Manager Code staff, 54% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.

There were **3** other Code Staff for all or part of the 2021 performance year. Aggregate remuneration expenditure in respect of other Code Staff for the 2021 performance year was **£711,931**.

Of this total 65% is fixed remuneration, 10% pension/benefits and 25% variable remuneration.

Of the total variable pay (bonus and long term incentives) made to other Code staff, 11% was deferred in to Aviva Group shares for up to 3 years and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions outlined above for a further 2 years upon vesting.