

Aviva Wrap UK Limited

Investment Firm Prudential Regime (MIFIDPRU) Disclosures
Year ended 31 December 2022

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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 2022.

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. UKW is 100% owned by Aviva Life Holdings UK Limited (UKLH) and is one of the core businesses of Life in the UK. UKLH is the holding company for UK Life subsidiaries. Its immediate parent undertaking is Aviva Group Holdings Limited. The ultimate parent undertaking and controlling party is Aviva plc. Per any financial measure UKW remains immaterial (c.0.1%) to the group but exists for strategically and technically important reasons.

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 6,200 from 240 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 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 83,000 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 Aviva Financial Advisors (AFA), launched in 2016, is available if required. AFA is not part of UKW or UKPTL and operates from within the Aviva Administration Limited (AAL) legal entity with different regulatory permissions.

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

UKW seeks to perform its operations subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by embedding rigorous and consistent risk management across the business. The Risk Management Framework (RMF) includes the strategies, policies, processes, governance arrangements, tools, and reporting procedures necessary to support this.

Employees are responsible for the identification, measurement, management, monitoring and reporting (IMMMR) of the full spectrum of current and future risks facing the business whilst achieving its strategic objectives.

The appropriate controls are developed and embedded to adequately meet business operational goals and guard against the materialisation of the risk.

UKW continuously monitors its risks and performs Risk Control Self-Assessment (RCSA) on at least an annual basis. This involves the review of identified risks, the effectiveness of the control environment, materiality of known risk events and/or issues to inform the residual risk assessments. Examples of indicators used are MI and control testing results within the periodic test plans, which test whether the controls are appropriately designed and working effectively.

Where risks are outside of tolerance, the progress of remediation is monitored by the risk owners to early identify risks not on track to return to tolerance. In such instances, risk owners are required to decide how best to bring the risk back to tolerance in a timely manner (e.g., additional allocation of resources, tactical or short-term solutions until resolution is completed, etc.).

The RMF supports the decision-making process and also helps develop the appropriate control activities in response to:

- Harms facing the business, which are split into harm to clients, harm to firm and harm to market: and
- Control objectives required to successfully perform business activities to meet business objectives and strategic goals.

RMF Principles

The RMF provides a framework for managing risk across the business. To facilitate this goal, the following principles are followed:

- The business strategy and risk strategy must align with each other, considering operational controls designed to prevent risks from materialising.
- Risk must be taken into account in all key business decisions.
- An appropriate culture must be in place to ensure effective management of exposures, to remain within risk tolerances and appetites (respectively), where this is within management's control. Action plans for risks out of tolerance or appetite must be documented and once agreed, followed without undue delay.
- An appropriate governance structure, supported by documented Board and committee terms of reference, must exist to ensure effective implementation of the RMF.
- The Three Lines of Defence model must be operated effectively, supported by clear and documented delegations of authority and role profiles, that maintain an appropriate segregation of duties.
- Tracking and observing tools must be used to monitor data results across the business. Examples include (but are not limited to) key risk indicators (KRIs), control effectiveness reviews, risk events, capital adequacy assessments and stress and scenario testing (SST).
- Management should seek to take on only those risks for which there is appropriate appetite, tolerance and resources (capital, liquidity, staff and knowhow) and avoid concentrations of exposures to risks.
- The risk management requirements of local and group regulators must be met.

- The business must ensure it can provide documented evidence of effective risk management and annual review of both the risk management system and systems of governance.

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 RMF 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.

This policy outlines Aviva's risk strategy, risk policy categorisation and enterprise-wide approach to managing risk, including how Aviva identifies, measures, manages, monitors and reports (IMMMR) on the Risks to which it is, or could be, exposed. This policy also provides the accountabilities of accountable executives, the Risk Management Function and Internal Audit as regards to enterprise-wide risk management. A visual representation of the framework is shown in Figure 1.

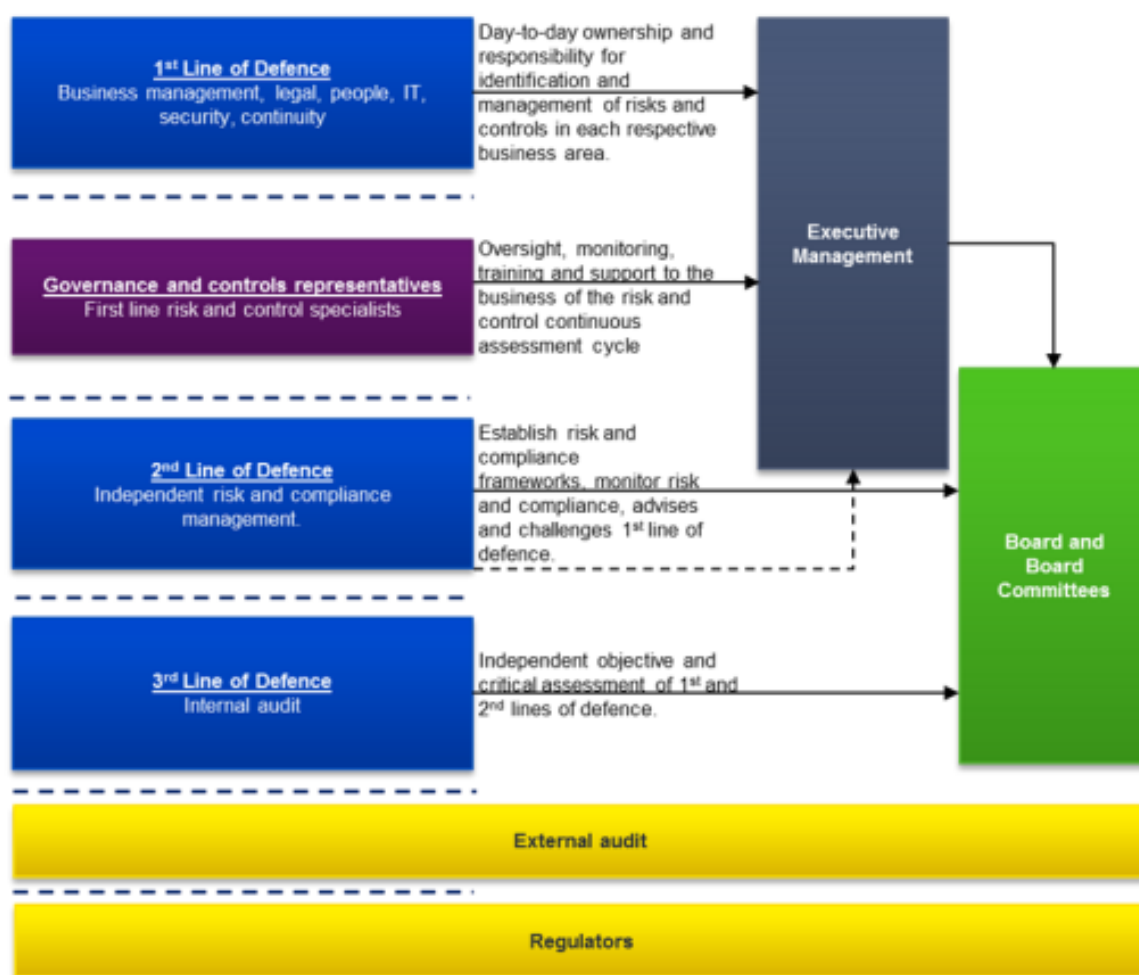


Figure 1: Visual representation of the Risk Management Framework

Three Lines of Defence

UKW manages its risks based on the “three lines of defence” model: 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 outlined below 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.

First line of defence

The firm recognises the importance of clear and appropriate apportionment of significant responsibilities among directors and senior managers. This is achieved by having clear role profiles that record all employee accountabilities and are consistent with committee and delegated authority structures.

The first line of defence is primarily responsible for risk IMMMR. The first line management is responsible for the implementation and practice of risk management across current and future risk profiles of the business.

UKW recognises the importance of oversight, monitoring, training, and supporting the business in performing its risk and control management responsibilities. This is achieved by employing appropriate representatives in the successful commencement and completion of the risk and control assessment cycle throughout the year.

The governance and control representatives remain operationally independent from risk-taking activities that could compromise their independence and ability to challenge. In functions where there is no full-time governance and controls resource allocated (i.e., Finance, People Function, Legal) appropriate mitigations are in place to ensure independence and threats are self-reviewed to a reasonable level.

The Head of CASS is responsible for assessing, advising, managing, and reporting on the firm’s CASS risk, providing assurance that appropriate arrangements are in place and/or identifying any failings with the firm’s obligations under MiFID as well as key CASS regulatory requirements.

Second line of defence

The Aviva Life Holdings UK Limited (UKLH) Risk and Compliance functions support the CRO of UKW and are operationally independent from risk-taking activities and any other activities that could compromise their independence. A summary of activities is outlined below:

- Risk is responsible for the design, implementation and validation of the risk and control management frameworks, systems and economic capital models requiring regulatory approval. The risk function reports to the CRO, Risk Committee and UKW Board on the overall risk profile of the company.
- Compliance is responsible for assessing, advising, monitoring, and reporting on the firm’s compliance risk i.e., the risk that the firm fails to comply with its obligations under the applicable requirements and the standards set by the FCA and other relevant regulatory authorities. The Head of Compliance (SMF16) is responsible for assessing, advising, monitoring, and reporting on the firm’s compliance risk providing assurance that appropriate arrangements are in place and/or identifying any significant failings with the firm’s obligations under MIFID as well as other key conduct regulatory requirements.

Third line of defence

Internal Audit’s purpose is to help the Board to protect the assets, reputation, and sustainability of UKW by challenging the effectiveness of the framework of controls which enable risk to be assessed and managed. The team assists the business in achieving its objectives by exhibiting a systematic, disciplined approach to evaluate the effectiveness of risk management, control, and governance processes.

In pursuit of this purpose Internal Audit, objectively and independently from management, assesses the effectiveness of the design and operation of the framework of controls; on the effectiveness of management actions to address any deficiencies within the framework of controls; and to investigate and report on cases of suspected financial crime or employee fraud and malpractice.

Internal Audit is responsible for performing these functions efficiently and effectively, but it is not responsible for setting the risk appetite or for the effectiveness of the framework of controls.

Aviva Group Risk Policies

Aviva Life Holdings UK (UKLH) complies with the Group Risk Management Framework Policy and uses the diagram below to represent the Life Enterprise Risk Management (ERM) Framework.



Figure 2: Visual representation of the Life Enterprise Risk Management.

The ERM Framework considers all categories of risk (financial, conduct, strategic and operational) facing UKLH in its pursuit of business objectives and sets out the key activities that must be undertaken in order to operate in a risk-conscious manner.

The ERM Framework forms an integral part of the management and Board processes and decision-making framework. It ensures that significant existing or emerging risks are actively identified, measured, managed, monitored, and reported on a continuous basis. It ensures risks are measured considering the significance of the risk to the business and its stakeholders (both internal and external) in the context of our strategy, objectives, and risk appetite.

The ERM Framework applies to UKW as it does to the Life companies as subsidiaries of UKLH.

At the core of the ERM framework is Risk Strategy & Appetite, shown above. This demonstrates how a risk lens should be used when translating the Strategy into business decisions, in order to ensure UKLH generates value safely. It shows the 3 components of the risk lens are: Risk Appetite, Risk Preferences and Risk Tolerances and Limits.

Risk Appetite

Regulatory levels of capital and liquidity are held, and processes are described in the sections below.

On top of these requirements, there is an internal policy to hold a risk appetite buffer, over and above the regulatory levels. These buffers are called Risk Appetites.

Overarching Risk Appetites represent quantitative expressions of the degree of risk accepted in seeking to deliver the business strategy. The Platform entities currently sets two overarching risk appetites:

- **Own Funds Buffer** – to manage the risk of breaching the regulatory capital requirement (and subsequent intervention by the regulator) in the pursuit of key strategic goals.
- **Liquid Assets Buffer** – to ensure there is sufficient operational liquidity to continue to meet payments under stressed conditions.

Monitoring

Monitoring against the Liquid Assets Buffer takes place monthly and monitoring against the Own Funds Buffer is performed quarterly. This is reviewed by the Life Financial Risk and Solvency Forum (LFRSF) with an update provided to the Platform Board at each quarterly meeting through the CFO Report to the Risk Committee and to the Board.

Own Funds Buffer

Under the overall financial adequacy rule the entity is required to hold adequate own funds to ensure that:

- The firm is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities.
- The firm's business can be wound down in an orderly manner

Internally there are measures that exist in addition to the financial adequacy rule.

The entity must hold a capital buffer above the own funds requirement such that there is still sufficient capital left to at least cover 100% of the own funds requirement and maintain regulatory solvency following a 1-in-5-year adverse event (plus an addition to allow for solvency estimation error). The capital buffer is held in addition to the greater of the own funds requirement and additional own funds requirement.

The capital buffer requirement defined internally is 30% for UKW of the additional own funds requirement, added to both the own funds requirement and additional own funds requirement.

A solvency monitoring corridor is defined to determine what actions are required when monitoring solvency against the approved buffer. Should this buffer be breached when monitoring the level of Own Funds, it will trigger the Recovery Plan. This plan, a key section in the ICARA Document, outlines the actions to be taken internally, as well as the levels at which the firm is required to report to the FCA under MIFIDPRU regulations.

Liquid Assets Buffer

To hold sufficient liquid resources to withstand a 1-in-200-year liquidity risk event crystallising over a 6-month period and to continue to meet business as usual liquidity needs.

Monitoring takes place monthly and is reviewed by the Life Financial Risk and Solvency Forum (LFRSF) with an update provided to the Platform Board at each meeting through the CFO Report. A 20% buffer below appetite is considered a reasonable range in which to record breaches, but not require escalation to the Board.

Liquidity monitoring triggers are also set out as part of the Recovery Plan in the ICARA Document.

Risk Preferences

Risk preferences are 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 should also be considered at a high level in any decision making to ensure that the outcomes are consistent with the defined preference.

A summary of the risk preferences for UKW is provided in Figure 3.

Risk Type		Preference
Market Risks	Credit	Prefer
	Equity	Accept
	Property	Accept
Insurance Risks	Persistency	Accept
Other Risks	Expenses	Accept
	Climate (Transition & Litigation)	Avoid
	Climate (Physical)	Accept

Figure 3: Summary of UKW risk preferences.

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.

Trigger Review

Background

A trigger framework has been adopted for UKW, to ensure that the level of capital being held continues to be appropriate for the duration of the reporting period, following approval by management. Breach of any agreed triggers would prompt discussion and potential recalibration of specific risks. The results would then be presented back to the business to decide on the appropriate action.

The operational risk calibration is heavily dependent on expert judgements about both internal processes and the external environment; hence the selection of any triggers needs to involve consideration of these areas.

Trigger Considerations

The trigger review is a periodic review of the level of solvency capital 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. If this review identifies that the total operational risk capital requirement has moved by more than +/- 10%, then this will breach the tolerance and will be escalated.

In case of a tolerance breach the business unit CFO and CRO notifies the local board and presents remediation plans for approval to the Group Chief Capital Officer and Group Chief Actuary. Any breach in capital risk appetite would be escalated to the UKL CFO and UKL CRO, who would notify Group of a material breach of +/- 20%.

A summary of the trigger events, monitoring action, and frequency is shown in Figure 4.

Trigger Event	Monitoring Activity	Frequency
New regulations or changes to the way in which fines or sanctions are levied.	Review of Regulatory Affairs updates, raising and reporting concerns where relevant	Quarterly
Worsening control environment or internal loss experience	Review of reports for risks outside of tolerance and internal loss events.	Quarterly
New emerging risks or external loss experience	Review of updates showing material external risk events and new emerging risks.	Quarterly
Updates to sensitive assumptions, data sources or material judgements within the calibration.	Review of scenarios to model, updated assumptions, data sources or expert views in the current calibration that causes a material increase in the proposed level of capital.	Annually
Fundamental changes to the calibration caused by internal or external events, for example (but not limited to) new methodology requirements, Aviva structure changes, identification of new scenarios or emerging risks, changes in the regulatory or control environment, strategy changes or issues with third party suppliers, changes to correlation assumptions, or changes to sensitive judgements that will need to be applied retrospectively.	Attend Group Operational Risk workshops and review both media publications and internal announcements, raising and reporting concerns where relevant. Review of Platform CRO reports to highlight issues arising.	Quarterly

Figure 4: Summary of UKW trigger events.

Trigger Breach Materiality

Once a trigger breach has been identified, it will be assessed for materiality and escalated as appropriate. A material change is defined as 1% of the Solvency Capital Requirement. The trigger threshold for UKW is set at either 1% of the entity's capital requirement, or £1m, whichever is the greater.

Governance Arrangements

Governance Structures

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 a 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 Aviva UK & Ireland Life 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 5b and described below.

Directorships

Directors that hold directorships outside of the Aviva Group are summarised in Table 5a.

Director	Role	Other Directorships
Paul Trickett	Independent Non-Executive Chair (SMF9)	Santander (CF Trustee) Ltd Coal Pension Trustees Services Ltd NGUKPS Trustee Executive Ltd National Grid UK Pension Scheme Trustee Ltd Santander (UK) Group Pension Scheme Trustees Ltd Trustees of the Mineworkers' Pension Scheme Ltd Thomas Miller Holdings Ltd

Figure 5a: UKW Directors that hold directorships outside of the Aviva Group

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

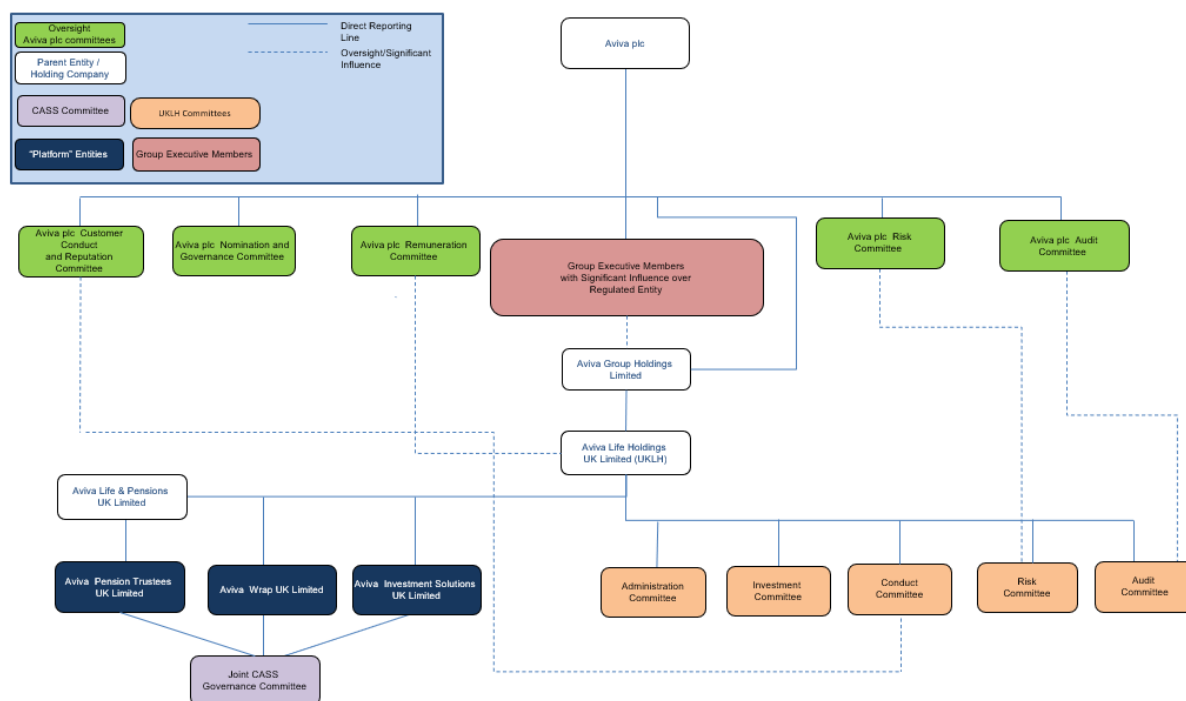


Figure 5b: Board governance structure for UKW.

Board Committees

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.

Other Committees

The Board delegates day-to-day management of UKW to the Wealth and Advice business unit Senior Leadership Team (SLT). This forum is chaired by the Managing Director of the Aviva Wealth & Advice UK business unit, whilst also a member of the broader UK Life Senior Leadership Team, which assists with the oversight of the Wealth & Advice business and its regulated entities such as UKW. To support this model of governance the SLT has also established further sub-committees as shown in Figure 6a.

The Wealth SLT discharge through their responsibilities through these committees established to provide challenge and oversight concerning the strategic, financial, reputational, operational, investment, emerging and conduct risks, and the control aspects of the day-to-day management of UKW. Decisions are taken by individual executives as part of their delegated authority and/or escalated appropriately to an appropriate Board, Committee, or alternative Individual.



Figure 6a: Summary of the governance to support UKW as part of the Wealth & Advice business unit.

The purpose of the committees is as follows:

Senior Leadership Team Meeting – to oversee the management of the Wealth & Advice business including strategy, operational performance, change, marketing, propositions, distribution, IT, and outsourcing.

Risk Forum – 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, ORCM, Financial risks, Data, Financial Crime, IT, CISO and operational resilience.

NB: UKW does not have a Risk Committee as this is not a mandatory requirement under MIFIDPRU 7.3.1R.

Strategic Execution Forum – the Forum has been implemented to track progress against execution of the Aviva plc Board approved strategy. This is an opportunity for the SLT to walk through their contribution to strategic delivery in the previous quarter, looking forward to the next quarter and displaying some KPIs to demonstrate success. MD Wealth & Advice can give steer on execution to ensure they are delivering per expectations.

Executive Sponsor Change Steering Group - the role of the Steering Group is to support the Directors of UKW and the wider management team with the discharge of their accountabilities within the Aviva Governance Framework; in relation to the defined regulatory responsibilities; and to comply with the Change Management Business Standard.

Policies

The governance of UKW is also underpinned by a complete range of policies as summarised in Figure 6b. Policies are reviewed annually or more frequently as required.

Policy	Policy Owner
Asset Eligibility Policy	K Oak, Director of Investments, Certification UKPTL, UKW & AISL
Calls and Electronic Communications Recording Policy	C Barrett, Certification UKPTL & UKW, HoF Retail Operations
Conflicts of Interest Policy	S R Marsden, Director of Intermediated & Retail, SMF3 UKPTL & UKW
Order Execution Policy	C Golland, Head of CASS, SMF18 UKPTL, UKW & AISL
Orphan and Non-Advised Customer Policy	M J Hogg, Director of Strategic Platforms, SMF3 UKPTL, UKW & AISL
Platform Complaints Framework	C Cushing, Certification UKPTL & UKW Hof Customer Complaints
Platform Compliance Policy	A Madaan, SMF16 UKPTL, UKW & AISL, Hof Platform Compliance
Pricing Policy	S R Marsden, Director of Intermediated & Retail, SMF3 UKPTL & UKW
Product Governance Policy	M J Hogg, Director of Strategic Platforms, SMF3 UKPTL, UKW & AISL
Remediation Policy	C Golland, Head of CASS, SMF18 UKPTL, UKW & AISL
Territoriality Policy	S R Marsden, Director of Intermediated & Retail, SMF3 UKPTL & UKW
DIM Onboarding Policy	K Oak, Director of Investments, Certification UKPTL, UKW & AISL
Ongoing DIM policy	M J Hogg, Director of Strategic Platforms, SMF3 UKPTL, UKW & AISL
Non-Standard Business Policy	S R Marsden, Director of Intermediated & Retail, SMF3 UKPTL & UKW
Decency Limit Policy	S R Marsden, Director of Intermediated & Retail, SMF3 UKPTL & UKW
Prefunding Policy	M J Hogg, Director of Strategic Platforms, SMF3 UKPTL, UKW & AISL
Liquidity Risk Stress Testing Policy	J I Slider, SMF2 UKPTL, UKW & AISL, CFO

Figure 6b: Summary of UKW company policies to support the overall governance framework.

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	FY22	Reference*
1	OWN FUNDS	57,226	
2	TIER 1 CAPITAL	77,326	
3	COMMON EQUITY TIER 1 CAPITAL	77,326	
4	Fully paid-up capital instruments	169,500	G & 10
5	Share premium	-	
6	Retained earnings	(92,174)	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	(20,100)	
19	CET1: Other capital elements, deductions, and adjustments	(20,100)	F, I, 8 & 12
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 7: Composition of regulatory own funds.

OF2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Item £000s	FY22	FY21	Cross ref OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Deferred tax assets	1,113	0	OF1: Row 19
2	Tax assets	466	730	n/a
3	Receivables	4,205	1,832	n/a
4	Deferred acquisition costs	18,987	15,664	OF1: Row 19
5	Prepayments and accrued income	1,101	1,148	n/a
6	Cash and cash equivalents	56,526	64,464	n/a
	Total Assets	82,398	83,838	n/a
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Provisions	0	126	n/a
2	Payables and other financial liabilities	5,072	3,046	n/a
	Total Liabilities	5,072	3,172	n/a
Share holders' Equity				
1	Ordinary share capital	169,500	169,500	OF1: Row 4
2	Retained earnings	(92,174)	(88,834)	OF1: Row 6
	Total Shareholders' equity	77,326	80,666	OF1: Row 2

Figure 8: 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 2022.
UKW is a private limited company, wholly owned by the Aviva Group.

Figure 9: Main features of own instruments issued by the firm

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 intended to calculate a minimum amount of capital that an FCA investment firm would need available to absorb losses if it has cause to wind-down or exit the market. FCA investment firms are expected to consider in more detail the amount needed to wind-down as part of their ICARA process.

The FOR is calculated as an amount equal to one quarter of the firm's relevant expenditure in the previous year. The expenditure used will be those from the most recent audited annual financial statements. Where these are not available, unaudited financial statements may be used until audited annual financial statements are available.

The methodology applied is as follows and the determination is summarised in Figure 10.

- As defined in MIFIDPRU 4.5.3R, non-recurring expenses from non-ordinary activities can be deducted before calculating the FOR. These primarily include costs that are not expected to re-occur and are not related to the normal or expected on-going activities of the firm.
- The FOR is 25% of the costs determined through this process.

Description	Amount £m
Indirect costs	20.2
Project costs	9.8
Direct costs	0.2
Total	30.2
Fixed	18.6
Non-Recurring	11.6
FOR (25%)	4.7

Figure 10: Determination of the Fixed Overhead Requirement (FOR) for UKW.

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 11.

K-Factor	Amount £m
K-CMH	1.95
K-ASA	4.79
K-COH	0.04
KFR	6.78

Figure 11: 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 £6.78m.

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 2022. The Aviva Group Remuneration Committee met on six occasions in 2022.

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

During 2022 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
- **Business Unit Performance** - contribution of each business area to the overall success of the Aviva Investors, 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** - 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 (financial and non-financial) of the Company over the three years (the "performance period"). LTIP awards below the Group Executive are made as restricted stock units (RSUs), with no formal performance conditions, although vesting is subject to acceptable personal performance and conduct over the period. LTIP awards vest after three years; vesting is subject to continued employment and shares will normally lapse in the case of resignation (subject to Aviva's good leaver policy).

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, such as full year bonus opportunity, 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. The groups of employees identified as meeting the criteria for MRT identification include:

- All members of the firm's Board;
- Any approved/notified persons holding any of the following senior management functions for the firm: 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 employee with delegated financial or other authority for the firm equivalent to directors/members of the firm's board;
- Any Senior Managers responsible for management/supervision for a significant business line/unit/function/team (SMF6); and those whose professional activities could have a material impact on firm's risk profile.

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

Quantitative remuneration disclosures

Amount £m	Senior Management	Other MRTs	Other Staff	Total (All Staff)
Total fixed remuneration	0.8	3.1	24.4	28.3
Total variable remuneration	0.6	4.5	2.7	7.8
Total remuneration	1.4	7.6	27.1	36.1

i. Other staff includes employees at YE22 who provide services to the entity. In most cases this is a small proportion of their time.

ii. Fixed remuneration includes salary, allowances and the value of pension and benefits.

iii. Variable remuneration includes annual bonus and LTIP; and for Senior Managers includes guarantees, buy-outs and severance pay based on value at grant.

Figure 12: 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 bonuses or severance payments were made to MRTs in 2022

Figure 13: Guaranteed bonuses and severance payments made to MRTs

Amount £m	Senior Management	Other MRTs	Total (All Staff)
Number of MRTs	4	11	15
Total variable remuneration	0.6	4.5	5.1
<i>Of which cash-based</i>			
Of which: non-deferred	0.3	1.7	2.0
Of which: deferred	-	-	-
<i>Of which is shares</i>			
Of which: non-deferred	-	-	-
Of which: deferred	0.3	2.8	3.1
<i>Of which is share-linked instruments or equivalent non-cash instruments</i>			
Of which: non-deferred	-	-	-
Of which: deferred	-	-	-
<i>Of which is other forms</i>			
Of which: non-deferred	-	-	-
Of which: deferred	-	-	-

i. Variable remuneration includes annual bonus and LTIP, guarantees, buy-outs and severance pay based on value at grant.

Figure 14: 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	0.1	1.1	1.2
Of which: due to vest in subsequent years	1.1	7.8	8.9
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	-	-	-
Of which: the amount was due to vest but withheld as a result of performance adjustment	-	-	-

i. Deferred remuneration includes annual bonus, LTIP, guarantees and buy-outs based on value at grant.

ii. Performance adjustments relates to reduction of awards due to malus.

Figure 15: MRT outstanding deferred remuneration

Exemptions

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