Aviva Investors Global Services Limited IFPR Disclosures

Financial Year Ending 31 December 2023

It takes Aviva Investors

AVIVA INVESTORS

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Section 1

Overview

1. Overview

1.1 Purpose

The UK Investment Firms Prudential Regime ('UK IFPR') came into force on 01 January 2022 and applies to investment firms that are authorised in accordance with the provisions of the Markets in Financial Instruments Directive ('MiFID').

Aviva Investors Global Services Limited ('AIGSL') is a wholly owned subsidiary of Aviva Investors Holdings Limited ('AIHL') and is part of the consolidated Aviva Investors UK Regulatory Group ('UK Reg Group'). The rules highlighted above apply to the Company on a solo-level (i.e. individual) supervision basis.

AIGSL is a non-SNI MIFIDPRU firm. The following disclosures are prepared outlining AIGSL's activities and financial position at the end of the entity's reporting period, being 31 December 2023.

1.2 Basis of Disclosures

These disclosures have been made in accordance with the requirements of MIFIDPRU 8 of the Financial Conduct Authority's ('FCA's) Prudential Sourcebook for MiFID Investment Firms. Specifically, these disclosures include Aviva Investors' risk management objectives and policies, governance arrangements, own funds and own funds requirements, remuneration policy and practices and its investment policy applicable to AIGSL.

The AIGSL IFPR disclosures are produced on an annual basis as a minimum, and more frequently as appropriate.

There are key governance stages in place which allows for review, challenge and approval prior to publication. The disclosure is not required to be subject to independent external audit.

These disclosures are published on both the Aviva Investors corporate website (www.avivainvestors.com/en-gb/capabilities/regulatory) and the Aviva Group website (www.aviva.com).

Section 2

Risk Management Policies & Objectives

2. Risk Management Policies & Objectives

2.1 Risk Management Objectives

Overview

AIHL seeks to optimise its asset management business' performance, subject to remaining within the risk appetite set for each major risk group and meeting the expectations of stakeholders.

AIGSL (the firm), its clients, counterparties and the market are inherently exposed to material potential harms through the delivery of asset management services. To mitigate this, AIGSL implements a robust control environment to reduce the material potential harms to acceptable residual risk exposures that are aligned to AIHL's risk appetite. Non-exhaustive examples of potential harms are noted below:

- **Harm to firm:** Compensation costs, legal fees, litigation costs, investigation costs, remediation costs (e.g., consultancy fees, additional resourcing costs), fines, changes in book values, failed settlements / transactions and price changes, movements in valuations, etc.
- **Harm to client / counterparty:** Mis-selling, unsuitable products / services or solutions offered, poor customer service, mandate breaches, hidden fees, inability to receive services, poor investment decisions, write-downs, aged debtors / loan defaults, data mismanagement, etc.
- **Harm to market:** Market disruption, market abuse, unreliable market performance, loss of confidence in the market.

Risk Appetite Statement

The Risk Appetite Statement ('RAS') articulates how all major risk groups are defined, assessed, and monitored in line with the business strategy, plan, forecast and AIHL's current capital position. The RAS forms part of the risk management process. Its purpose is to articulate the risk appetite and related activities of the AIHL & AIGSL boards, and thereby provide the basis for the appetite for risk, in providing asset management services and products by outlining:

- The definition of each risk group and how this is interpreted as exposure facing the business.
- Reconciliation between the risk groups and categories assessed in the RAS and risk registers.
- The appetite for each of the risk groups in delivering the business plan.
- The rationales developed to determine the appropriate risk appetites for each risk group.
- The approach used (both leading, lagging, quantitative and qualitative) by the business to identify, measure, manage, monitor and report ('IMMMR') the actual risk exposures compared to risk appetites.
- The approach taken in the event that the measurements indicate a risk appetite is about to be breached as well as action taken to address risk appetites which have been breached.
- The qualitative statements used to define the behaviour and culture of Aviva Investors.

The RAS expresses the Aviva Investors group's appetite for the range of risks facing the business both qualitatively and quantitatively. As the business evolves, so the risk appetite may change. Consequently, the statement is reviewed at least annually by the AIHL & AIGSL boards of which iterations require formal approval.

Quantitative risk appetites are translated into granular risk tolerances and mapped against the granular risks in risk registers for AIGSL. The risk tolerances are approved at least annually or with every significant business change by the AIHL & AIGSL boards.

The approved risk tolerances are provided to the business to measure the residual risk exposures of the business against, in order to identify those risk exposures exceeding tolerance which require remediation.

The risk aggregation method implemented by Aviva Investors aggregates the risk exposures at its most granular level to its highest level (regulatory risk categories) which allows the AIHL Board to obtain a view of its overall risk profile across the Aviva Investors Group.

As a result of the above approach, Aviva Investors has developed the following risk management objectives for each major risk group (at a RAS level) outlined below.

Own Funds Requirements (MIFIDPRU 4)

The Own Funds Requirement ('OFR') determines the minimum own funds requirement for investment firms and is the higher of the Permanent Minimum Capital Requirement ('PMR'), Fixed Overhead Requirement ('FOR'), and the K-factor requirement ('KFR'). Aviva Investors has estimated the amount of own funds it needs to hold to address potential harm that it may cause to clients and counterparties, the markets within which it operates, and to itself, details of which are provided in 5.1 below. Furthermore, an outline of the operational risk management framework utilised in the reduction and mitigation of these harms is provided in 2.2 - 2.4 below.

Concentration Risk (MIFIDPRU 5)

Aviva Investors accepts concentration risk as necessary, but it is controlled using sound administrative and accounting procedures alongside robust internal control mechanisms. Concentration risk is monitored via business / strategic management processes, and the operational risk management framework, outlined further in 2.2 - 2.4 below.

Sources of Concentration Risk for AIGSL

Earnings

The majority of AIGSL's business is internally sourced from other legal entities within the Aviva Group. As a result, the internal client business presents a source of concentration risk of revenue for AIGSL. The potential loss of this business is therefore incorporated as a key driver for the Internal Capital and Risk Assessment ('ICARA') wind down analysis. Should lower revenue and/or lower margins be insufficient to cover AIGSL's costs then the firm's capital base will be eroded causing material harm to the AIGSL's viability. Aviva Investors continues to develop and promote its capability to increase the proportion of externally sourced business which will help to reduce the exposure to revenue concentration risk.

Client Money and Custody Assets

Almost all client money is held at J.P.Morgan for the Securities Finance business and consists mainly of lending fees and repo maturities. AIGSL maintains a an FCA Client Asset Sourcebook ('CASS') policy that includes consideration of client money diversification. Average client money balances held at counterparties are reviewed on a regular basis. Should average client money balances become unacceptably high, options, including diversification, would be considered by the Senior Manager with the prescribed responsibility for CASS oversight and the client asset forum. In addition, a monthly control is in place to review the credit ratings for counterparties where client money is located.

Aviva Investors does not hold any client securities.

Own Cash Deposits

The Aviva Investors Investment Policy Statement ('IPS') applies the principals of the Aviva Group Financial Risk policy and Aviva Group Credit and Collateral Management Business Standard in managing the credit risk associated with cash and cash equivalents, notably through placement of funds with high credit ratings assigned by international credit agencies. Credit exposures are identified, evaluated, and managed in accordance with best practice and agreed risk appetite, to ensure that risks are managed within bounds acceptable to clients and, where appropriate, the Aviva Group Financial Risk Director.

Finance prepares and monitors counterparty exposure and management against limits, as well as concentrations of exposure by type, sector, geography and credit ratings. Management information for credit risk exposures is reported through monthly cash monitoring and Key Risk Indicator ('KRI') reporting.

A cash monitoring report is prepared monthly and summarises the holdings of balance sheet cash and investments. It outlines adherence to the IPS, which provides rules around ratings of counterparties and limits for amounts held at any institution and the minimum credit rating of institutions where funds can be deposited. In addition, the cash monitoring report provides a summary of all balance sheet cash split by counterparty and by geographical location.

Liquidity (MIFIDPRU 6)

Aviva Investors' regulatory liquid assets obligations are specified per the MIFIDPRU rules, whereby the firm must adhere at all times to its Liquid Assets Threshold Assessment ('LATR') to satisfy the Overall Financial Adequacy Rule ('OFAR').

AIGSL's liquidity risk profile, and its corresponding ability to meet its liquid asset obligations, could be negatively impacted by the implementation of a business strategy which creates an inappropriate and sustained mismatch in the timing of operating cash inflows (e.g., performance and management fees from internal and external clients vs. payroll costs and supplier payments). This could potentially cause material harm to both AIGSL's viability as a firm, and its clients. Aviva Investors has embedded a robust Liquidity Risk Framework, further outlined in 5.2 below, aligned to regulatory requirements and supported by a robust control environment and the ICARA process to manage and monitor liquidity risk. Aviva Investors actively seeks to avoid liquidity risk, other than as is incurred through the normal course of business.

2.2 Risk Management Policies & Approach

Aviva Investors' Risk Management Framework ('RMF') includes the necessary strategies, policies, culture, processes, governance arrangements, tools, and reporting procedures necessary to support its risk management objectives and mitigate harms for each category of risk. All frameworks incorporate the Aviva Group Enterprise frameworks which are adapted to the needs and requirements of the asset management business.

Aviva Investors divides identified risks facing the business into two further categories:

- Future risks are those risks to which Aviva Investors may be exposed to sometime in the future; and
- Current risks facing the business (both residual and inherent) whilst achieving its strategic objectives.

Both future and current risks are identified and recorded through risk registers and assessed by senior management to determine the top-down concerns of the business. The top-down risk concerns of the business are used in the ICARA process to determine the appropriate minimum capital and liquidity requirements as well as conduct stress and scenario testing, reverse stress testing and wind down analysis.

The risk, compliance, financial crime, and control management frameworks are aligned to each other and aim to drive consistency and control across the business. Risk and Compliance functions provide procedures, training, advice, and guidance to, and monitor, all employees on the appropriate embedding of such frameworks in their day-to-day management activities.

Products and services are clearly defined with specific stakeholder requirements in mind and conduct risk considerations are embedded in all key business processes. Conduct and reputational impacts are therefore also considered as part of all residual risk assessments pervasively across all risk categories.

From time-to-time, Aviva Investors has exposure to temporary risks which do not form part of the business-as-usual ('BAU') activities. The temporary underlying individual risk exposures are treated separately and not as part of BAU risk processes. Temporary risk exposures are collectively categorised as transition risk for reporting purposes. Transition risk is treated as part of the ICARA process.

2.3 Risk Management Structure and Operations

Aviva Investors' entire global asset management responsibilities are divided across processes and built into a value chain approach. The value chain groups processes into 3 categories: (1) internal oversight and governance, (2) client / fund / asset management and (3) foundation.

Internal oversight and governance processes specifically exist to oversee and monitor all other processes. Some of the processes, such as Risk and Compliance provide the frameworks, methodologies, registers, policies and guidelines for the business to implement and comply with.

Client / fund / asset management processes are the primary profit generating processes through the provision of global asset management services. These processes are specifically focused on meeting Aviva Investors fiduciary responsibilities to its clients, funds, and products in accordance with contractual agreements.

Foundation processes exist to support all other processes in performing their activities. For example, the information technology and business protection process support the business in providing appropriate networks and software systems to perform day-to-day activities.

Each process consists of several workstreams. Such workstreams are also referred to as "sub-processes". The overall business strategy is divided into specific control objectives that are aligned to the workstreams. Each workstream consists of several activities - underpinned by (but not limited to) resources (capital, liquidity, knowhow, and staff), models, systems, suppliers, and controls - to meet these objectives. Control activities exist to meet control objectives and mitigate risk exposures that could result in potential harms.

Three Lines of Defence

Aviva Investors manages its risks based on the "Three Lines of Defence" model: the first line of defence comprises Business Managers, IT, 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 Aviva Investors Chief Risk Office ('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.

All employees of the organisation are involved in the management and mitigation of risk at Aviva Investors. As a result, Aviva Investors' RMF is embedded in the day-to-day management and decision-making processes. There is active and demonstrable sponsorship and support from the AIHL Board and Aviva Investors Executive Management.

The roles of the three lines of defence each contribute to embedded risk management. Role profiles, agreed objectives and where appropriate, delegated authority letters, must be in place which make each relevant employee's risk management responsibilities clear. The requirement for a delegated authority letter may be driven by local regulatory requirements and would typically be considered appropriate for the most senior roles within Aviva Investors where authority is being given to bind the company financially.

First Line of Defence

Aviva Investors 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 responsible for future and current risk IMMMR through the implementation and practice of risk management techniques described in the RMF.

Second Line of Defence

The second line of defence CRO function consists of the Risk and Compliance functions. Its core purpose is to independently challenge, advise and guide the business in the delivery of its strategy and plans whilst safeguarding customers and shareholders.

The CRO function promotes and monitors the embedding of a strong risk, control and conduct culture, fully supported by robust frameworks and supporting policies; and provides thought leadership to evolve the business in line with regulatory expectations and best industry practice.

The CRO has a reporting line to the Aviva Group CRO as well as the Aviva Investors Chief Executive Officer ('CEO') and is a member of the CEO's Executive Committee.

The CRO function promotes and monitors the embedding of a **strong risk, control and conduct culture**, fully supported by robust frameworks and supporting policies; and provides thought leadership.

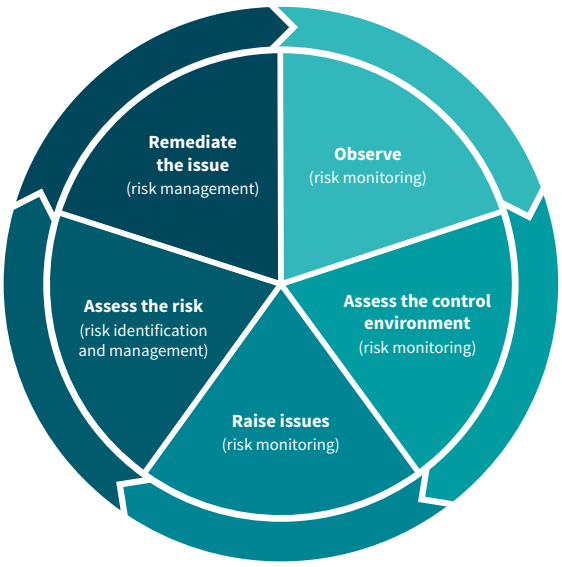
Third Line of Defence

Internal Audit ('IA') is part of the wider Aviva plc Group Audit function. The dedicated audit team is specialised in fund management, led by the Chief Audit Officer of Aviva Investors who reports to the Chief Audit Officer of Aviva plc and the AIHL Audit Committee. IA's purpose is to help the Board and executive management to protect the assets, reputation and sustainability of Aviva Investors by providing independent and objective assurance designed to add value and improve Aviva Investors' operations.

In pursuit of this purpose IA undertakes, objectively and independently from management, to assess whether all significant risks are identified and appropriately reported by management and second line of defence (to Aviva Group and Aviva Investors Audit and Risk Committees and Executive Management as appropriate); assessing whether they are adequately managed; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. The scope of IA assurance activities includes assessing and reporting on the effectiveness of the design and operation of the framework of controls and on the effectiveness of management actions to address any deficiencies within the framework of controls and risks that are out of tolerance. IA may also assess relevant post-mortem or 'lessons learned' analysis following significant adverse events at the organisation or in the industry.

IA is responsible for performing these activities efficiently and effectively, but it is not responsible for setting Aviva Investors' risk appetite or for the effectiveness of the framework of controls.

2.4 Assessment of the Risk Management Processes' Effectiveness



The flow diagram (right) describes the requirements to IMMMR each risk type (current and future).

Observe (risk monitoring)

Observations are methods used by Aviva Investors, auditors, advisors, employees, and consultants to observe the business model and identify failures or gaps exposing the firm to risk or failure in achieving control objectives. All observations that are identified as issues must be mapped to the relevant current or future risks facing the business in the relevant risk register, and control objectives Aviva Investors endeavours to achieve.

Observations that are identified are categorised into four groups:

1. Risk events and near misses;
2. Internal and external reviews;
3. Tracking mechanisms (e.g., indicators); and
4. Assurance and control testing.

Control and Process Owner (monitor)

Control and process owners require an intimate knowledge of the control environment and markets in which Aviva Investors operates as well as the relevant control activities, control objectives and risk exposures. Control assessments are performed by thoroughly analysing all observations to appropriately determine whether a control failure has occurred, or a gap exists in the business.

Issue Owner (monitor)

If an observation results in a control failure or gap, the observer and control or process owner collaborates to raise an issue against the particular gap or failure. An appropriate issue owner is identified who is responsible for:

- Managing and monitoring the remediation of the issue;
- Gathering the necessary evidence to demonstrate adequate and appropriate remediation has been completed; and
- Closing the issue upon completion of the remediation.

Close interactions occur between the risk, control, process, and issue owners throughout the remediation process.

Risk Owner (identify and measure)

Risk owners equipped with an intimate knowledge of the business, the markets in which Aviva Investors operates, and its strategic and business objectives are responsible for identifying and measuring risks in response to the issues raised across the business. Risk identification and measurement is refreshed when changes in the environment occur.

A variety of risk measurement tools and processes are available to support risk identification and measurement depending on whether it is a current or future risk being assessed. Current risks use a likelihood and impact scale whereas future risks consider a proximity, impact, and readiness scale. All risk assessments are performed on a forward-looking basis.

Both measurement scales allow the risk owner to identify the primary concerns of the business which are then prioritised for remediation.

Route to Green Plans (manage)

Risk owners are responsible for deciding how risk exposures and the consequential potential harms need to be managed which includes: acceptance, avoidance, transfer, and remediation. For risks outside acceptable levels, remediation is selected in almost all instances. In some rare circumstances, risk acceptance, transfer or avoidance is selected. All risk management decisions are documented.

Remediation required for issues identified targets root causes. The issue owner reports on the progress of the remediation back to the risk owners on a continuous basis in order to early identify remediation which is not on track.

Risks outside acceptable levels requiring an acceptance, avoidance or transfer of the exposure undergo a robust governance process with second line in order to consider changes to the acceptable risk levels.

Risk Reporting

Risk reporting includes the reporting of each of the five elements of risk management ((1) observe, (2) assess the control environment, (3) raise issues, (4) risk identification and measurement and (5) risk management). Risk reporting is provided to senior management based on their risk profile needs, committee Terms of Reference, escalation requirements and decision-making responsibilities.

Risk reporting is developed to be clear, relevant, accurate and timely, highlighting and prioritising the primary concerns of the business. All decisions made are documented and monitored for execution across the business.

Section 3

Governance Arrangements

3. Governance Arrangements

3.1 Overview

AIGSL is a subsidiary within the UK Reg Group which is headed up by AIHL and leverages relevant Aviva Group departments and Aviva Investors Board Committees (Audit, Risk and Remuneration & Nomination). This oversight includes monitoring the Aviva Investors risk and control environment and AIGSL is specifically included within the scope of each of the Board Committees. At 31 December 2023, all the Directors of AIGSL are FCA senior managers by virtue of their Senior Management Function ('SMF') responsibilities.

The AIGSL Board is responsible for organising and directing its affairs in a manner that is consistent with its Terms of Reference, applicable regulatory requirements, and current corporate governance practice, as well as promoting the integrity of the market and the interests of investors it serves. The AIGSL Board membership comprises of executive directors who also sit on the Aviva Investors Executive Committee and two independent non-executive directors, one of which is appointed as the non-executive chair, and both are directors on the AIHL Board. All directors are subject to the approval of its shareholder and the UK regulator for all Board appointments.

Aviva Investors undertakes fitness and propriety assessments of all SMF's in line with the requirements of the Senior Managers & Certification Regime ('SMCR') to ensure each director:

- Is of sufficiently good repute;
- Has appropriate skills and experience to meet the needs and requirements of the Board
- Can commit sufficient time to perform their role; and
- Acts with honesty, integrity and independence to effectively assess and challenge the decisions of senior management where necessary and to oversee and monitor management's decision-making.

Directors are also required to attest at least annually that there are no impediments to their position on Aviva Investors' Boards and to attest that all conflicts of interest have been fully disclosed. Directors are required to declare any potential conflicts of interest as soon as they are made aware, and these are regularly reviewed and approved by the AIGSL Board. There is also an Aviva Group Conflict of Interest Policy, which governs how conflicts of interest are managed across the Group.

All Aviva Investors directors are required to undertake regular training to ensure they are kept up to date on key issues and are able to discharge their responsibilities effectively. A training plan is agreed by the AIGSL Board at the start of the year based on key topics or upcoming legislation.

The Directors and senior management of Aviva Investors are committed to maintaining a strong risk, control, and compliance culture throughout the organisation. This is achieved through a governance structure consisting of three core elements: boards, board committees and personal committees; three lines of defence, policies, processes, and controls; and roles and accountabilities. Board members have specific responsibility to review and monitor the current and future risks of Aviva Investors.

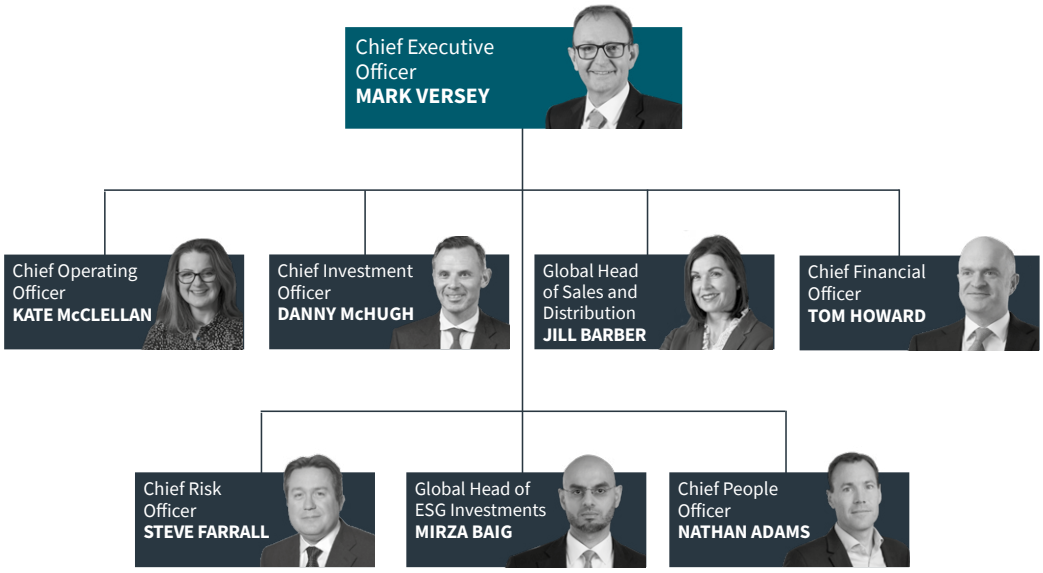
The governance committees are responsible for reviewing and setting policies and procedures for the business lines within Aviva Investors. These committees are established to assist and support the Board to manage key strategic matters; review business activity and risks; and provide support where needed.

Board Committees

The Board delegates certain duties to the board committees as described below.

- The **Aviva Investors Audit Committee ("Audit Committee")** works closely with the Aviva Investors Risk Committee and is responsible for monitoring the integrity of financial statements and the effectiveness of systems of control over financial reporting, Group whistleblowing provisions, and for monitoring the effectiveness, performance, independence and objectivity of the internal and the external auditors.
- The **Aviva Investors Risk Committee ("Risk Committee")** assists the boards in the oversight of risk (including conduct, regulatory, compliance and legal risk) by reviewing the effectiveness of the risk management framework, risk appetite, risk preferences and risk profile, methodology and calculations used in determining capital requirements and stress and scenario testing results, ensuring due diligence appraisals are carried out on strategic or significant transactions; and monitoring regulatory requirements.
- The **Aviva Investors Remuneration & Nomination Committee ("Remuneration Committee")** supports and advises the AIHL Board and any other Aviva Investors Board as required, on the overall remuneration policy for Aviva Investors and the employment, remuneration, reward and benefits terms for Aviva Investors' senior management and material employees, including Code Staff / Material Risk Takers ('MRTs') and identified staff; and reviews and makes recommendations on remuneration matters to the Aviva plc Group Remuneration Committee and the AIHL Board, or any other Aviva Investors Board as required, for approval. In addition, the committee also monitors the balance of skills, knowledge, experience and diversity on boards of directors and recommends appointments to the boards of AIHL, AIGSL and the other main operating and regulated entities throughout Aviva Investors.

The Aviva Investors Executive Committee structure (as at 31 December 2023):



Note: With effect from 1 April 2024, Tom Howard was replaced by Iain Pearce as Chief Financial Officer, and as a member of the Executive Committee.

Risk Committee

In accordance with MIFIDPRU 7.3.1R a non-SNI MIFIDPRU firm is required to establish a Risk Committee; however, as a result of a modification granted by the FCA, AIGSL is able to leverage the AIHL Risk Committee which is already in place.

3.2 Directorships

The number of executive and non-executive directorships held by the Directors at the year ended 31 December 2023 were as follows:

Director (including title)	Number of Executive Directorships*	Number of Non-Executive Directorships*
Andrew Kirton (Independent Non-Executive Chair)	0	1
Mark Burgess (Independent Non-Executive Director)	0	1
Mark Versey (Aviva Investors CEO)	1	0
Tom Howard (Aviva Investors CFO)+	1	0
Danny McHugh (Aviva Investors CIO)	1	0
Jill Barber (Aviva Investors Global Head of Sales and Distribution)	1	0

+ Note that with effect from 31 March 2024, Tom Howard resigned from the Board and was replaced by Iain Pearce

* Note - The following are out of scope for this analysis:

1. Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
2. Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding

Diversity

Aviva Investors recognises the benefits of a diverse workforce and an inclusive culture. As a result, there has been significant activity and resource commitment to improving inclusion, as well as examining the diversity of the workforce and ensuring Aviva Investors continues to retain and attract talent.

Aviva Investors has a clear set of Diversity, Equality and Inclusion ('DE&I') objectives which have been set by the Aviva Investors Executive Committee and are tracked and measured by the governance process. These objectives target increasing female and ethnic employee representation at a senior level and promoting social mobility; achieving them forms part of our business scorecard and is included in our executives' incentive plans.

While we have selected Gender, Ethnicity and Social Mobility (the Workstreams) as our primary focus areas, we recognise the scope of DE&I is much broader. Our DE&I strategy therefore also includes dedicated groups for Disability, Neurodiversity, LGBTQ+, Mental Health and Working Families (the Networks), albeit without setting any measurable targets around these groups.

	2022 End of Year	2023 End of Year	2024 End of Year
Gender (Senior Female, F+ Grade)	Target 29% v Actual 27%	Target 30% v Actual 34% (+7)	Target 36%
Ethnicity (Senior Ethnicity, F+ Grade)	Target 13% v Actual 11%	Target 12% v Actual 13% (+2)	Target 15%
Social Mobility (Disclosure rate)	Target 30%	Target 50% v Actual 72%	Target 80%

Notes:

(i) Ethnicity data above is based on a disclosure rate of 91%. A percentage of this population have chosen an option of prefer not to say. As a result, we may have a number of ethnically diverse senior leaders that have either not disclosed or prefer not to say.

(ii) The ethnicity data is only collated in markets across UK, Ireland and Canada therefore not all the countries in which Aviva Investors operates.

(iii) Social Mobility characteristic 'Parents Occupation at 14'.

At the end of 2023 we met our 30% women in senior leadership and 12% ethnic, our future ambition is to build diversity at all levels of the business.

Data continues to be important in knowing the makeup of the organisation and supporting education and awareness across all characteristics.

Governance Structure

The Executive Committee, through the Chief People Officer, has been focusing on how to create a more diverse workforce and inclusive culture, developing specific action plans to support these goals, and helping to identify and overcome obstacles.

Roles and responsibilities

The Aviva Investors Executive Committee receives regular updates on progress made within the Workstreams and Networks against the DE&I objectives, including any issues which might hinder progress together with proposed solutions at their monthly governance meeting.

The Workstreams (Gender, Ethnicity, Social Mobility) are led by colleagues from across the business on a volunteer basis. Their role is to develop action plans for positive change by helping raise awareness, promote allyship, facilitate training where appropriate and provide insight on obstacles that might stop us realising our objectives.

The Networks (Disability, Neurodiversity, LGBTQ+, Mental Health and Working Families) are also led by volunteer colleagues from across the business. Their role is to promote allyship and raise awareness. Each Network has an executive as sponsor to promote, advocate and provide guidance.

Another key role is that of the business areas' Head of People. They support business engagement and implementation, whilst also looking at developing people plans to help embed DE&I considerations in the different areas.

The Workstreams (Gender, Ethnicity, Social Mobility) are led by colleagues from across the business on a volunteer basis.

Actions 2023

We undertook the following actions in 2023 to create an inclusive culture which is sustainable and workforce that is diverse.

Gender

- The 'Return to Work' programme supports talented individuals returning to the workplace after a career break, with 26 participants joining Aviva Investors over the past 5 years, of which an average of 83% in permanent roles
- 44% of our workforce is gender diverse
- Launch of women@ai network, creating safe space for open conversations, networking and role modelling
- 'Career Pathway' programme: In partnership with the Diversity Project, 4 females have participated in the 12 month programme to develop a career in fund management.
- Allyship training for 24 senior leader male employees, hosted by Men 4 Inclusion.

Ethnicity

- Founding member of CBI Change the race ratio – Ethnic pay gap
- Ongoing internal events of which Black History Month with Derek Redmond saw nearly 60% of the business join the event
- Cultural interview assessors identified to promote inclusiveness through interview process
- Support for Investment Association trainee programme (Investment 20/20), to improve career entry access for underrepresented groups

Social Mobility

- Education and awareness business leader sessions to share experiences of social mobility to enhance disclosure rates
- Founding member of progress together, partnering to identify industry benchmark for social mobility
- Social mobility Index top 25 employer

Leadership

- Aviva Investors recognised by the Diversity Project as a top quartile asset manager for our contribution to DE&I initiatives & programmes
- 'Inclusive Behaviours' mandatory online training completed by 94% of leaders
- Voice of Aviva (colleague engagement survey) employees feel Leaders supporting inclusion and diversity (89% in 2023)
- Non Inclusive Behaviour Training completed by 70% of leaders
- Recruitment framework set-up to ensure fairer and robust hiring process
- Term time working policy which helps attract and retain high performing talent to enhance flexible working arrangements.
- 120 Aviva Investors employees are proactively supporting our DEI workstreams and networks supported by the Exec
- Average DE&I disclosure completion increased across all 7 characteristics.

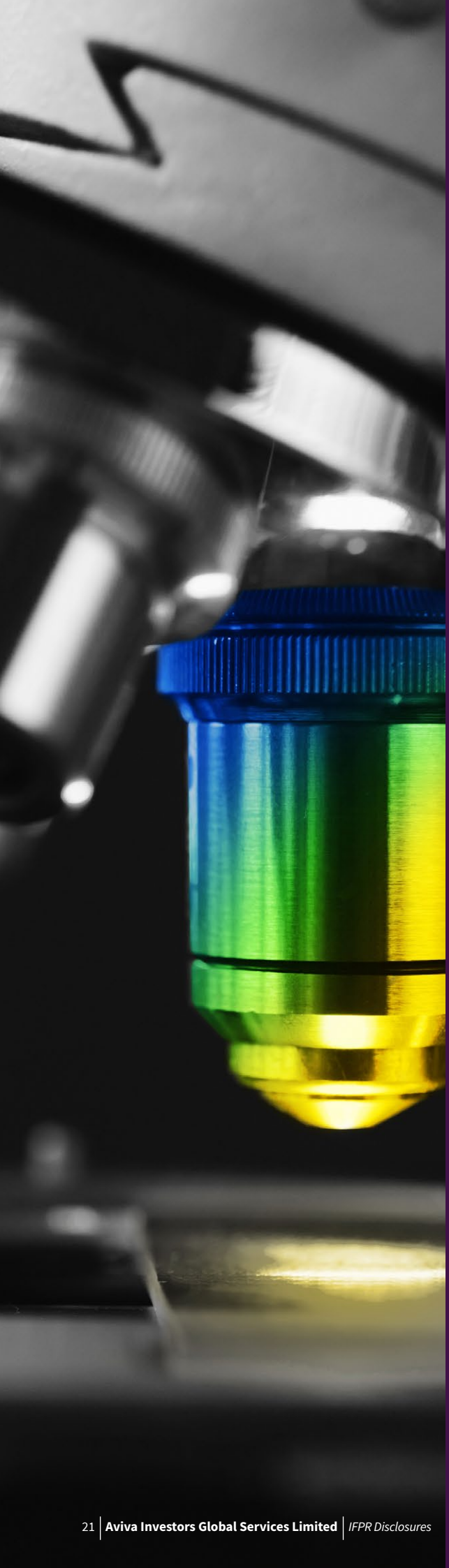
Forward Look 2024

DE&I is a key pillar embedded in our people strategy for 2024 and is governed by the Aviva Investors Executive Committee and AIHL Board. This year we are focusing on 3 DE&I strategic priorities. The first, Understanding Our People, reflects ongoing efforts to gather and interpret survey and demographic data. The second, Developing Allies, builds on prior training to deliver a broad base of allies, and give them the confidence to act directly in the day-to-day business. The third, Strengthening Foundations, seeks to make DE&I progress sustainable and lasting, by embedding into business area people plans, and by managing the workloads of volunteers.

There are currently several initiatives in flight, which will continue to enhance the culture of the business, help achieve our ambitions and create a work environment in which everyone feels welcome as they are.

Examples of these initiatives include:

- Continuation of license to hire line manager training, to support leaders in best hiring practices, education in strengths-based assessment, and awareness of bias to improve diverse hiring
- Annual employee survey cycle, regular engagement surveys taking place throughout the year which include a focus on leadership, engagement and culture
- Return-to-work programme continuation, specifically targeted at front office investment and sales professionals who have had a career break of at least two years
- Expansion of allies' training for all leaders across the business, creating space to share experiences and help each other
- Continuation of our Ethnically Diverse Leadership programme and Emerging Leaders programme, to enhance the pipeline of high performing talent for future succession
- Further drive diversity disclosure campaign (#Thisisme) to capture employees' key DE&I data. The aim is to have an accurate picture of our employee demographics and assess the appropriateness of future targets.
- Non Inclusive Behaviour Training to be expanded for all senior leaders
- For further detail, please use link: Diversity, equity and inclusion - Aviva plc



Section 4

Own Funds

4. Own Funds

4.1 Composition of Regulatory Own Funds

At 31 December 2023, AIGSL's own funds comprises of Common Equity Tier 1 ('CET1') capital and Tier 2 ('T2') capital. CET1 consists of share capital, retained earnings and other reserves, whilst T2 capital is entirely related to a subordinated loan from AIHL. Table OF1 below illustrates the full composition of AIGSL's own funds:

Table OF1: Composition of regulatory own funds

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**Own funds**	**270,794**	
2	**Tier 1 capital**	**257,127**	
3	**Common equity tier 1 capital**	**257,127**	
4	Fully paid-up capital instruments	207,075	14
5	Share premium	N/A	
6	Retained earnings	65,864	16
7	Accumulated other comprehensive income	N/A	
8	Other reserves	859	15
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	N/A	
11	(-) Total deductions from common equity tier 1	(16,671)	1, 6, 16
19	CET1: Other capital elements, deductions and adjustments[1]	(16,671)	1, 6, 16
20	**Additional tier 1 capital**	-	
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) Total deductions from additional tier 1	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	**Tier 2 capital**	**13,667**	
26	Fully paid up, directly issued capital instruments	20,000	11
27	Share premium	N/A	
28	(-) Total Deductions from tier 2	(6,333)	
29	Tier 2: Other capital elements, deductions and adjustments	(6,333)	

[1] Includes deductions for £10m deferred tax assets and £6m current year profit after tax. Under MIFIDPRU regulation, current year profits are not eligible for inclusion in capital resources until audited and so are excluded from the regulatory position as at 31 December 2023.

4.2 Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Table OF2 below provides a reconciliation of regulatory own funds to the balance sheet as per AIGSL's audited financial statements at 31 December 2023 (£'000):

Table OF2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Amount (GBP thousands)	A Balance sheet as in published/ audited financial statements	B Under regulatory scope of consolidation	C Cross-reference to template OF1
As at 31 December 2023			
Assets - Breakdown by asset class according to the balance sheet in the audited financial statements			
Non-Current Assets			
Intangible Assets	-		19 - CET1: Other capital elements, deductions and adjustments
Investments in subsidiaries	418		
Property Plant & Equipment	22		
Investments Designated at Fair Value through Profit or Loss	26,383		
Trade & Other Receivables	15,000		
Deferred Tax Asset	10,478		19 - CET1: Other capital elements, deductions and adjustments
Current Assets			
Trade & Other Receivables	212,605		
Cash & Cash Equivalents	154,158		
Investments Designated at Fair Value through Profit or Loss	10,301		
Total Assets	**429,365**		
Liabilities - Breakdown by asset class according to the balance sheet in the audited financial statements			
Non-Current Liabilities			
Trade & Other Payables	55,695		
Current Liabilities			
Trade & Other Payables	99,871		
Total Liabilities	**155,567**		
Shareholder's Equity			
Ordinary Share Capital	207,075		4 - Fully paid-up capital instruments
Currency Translation Reserve	859		8 - Other Reserves
Retained Earnings	65,864		6 - Retained Earnings
Total Shareholders' Equity	**273,798**		

4.3 Own Funds: Main Features of Instruments Issued by the Firm

Table OF3 below illustrates the main features of the CET1 instruments issued by AIGSL at 31 December 2023:

Table OF3: Main features of CET1 capital issued by AIGSL

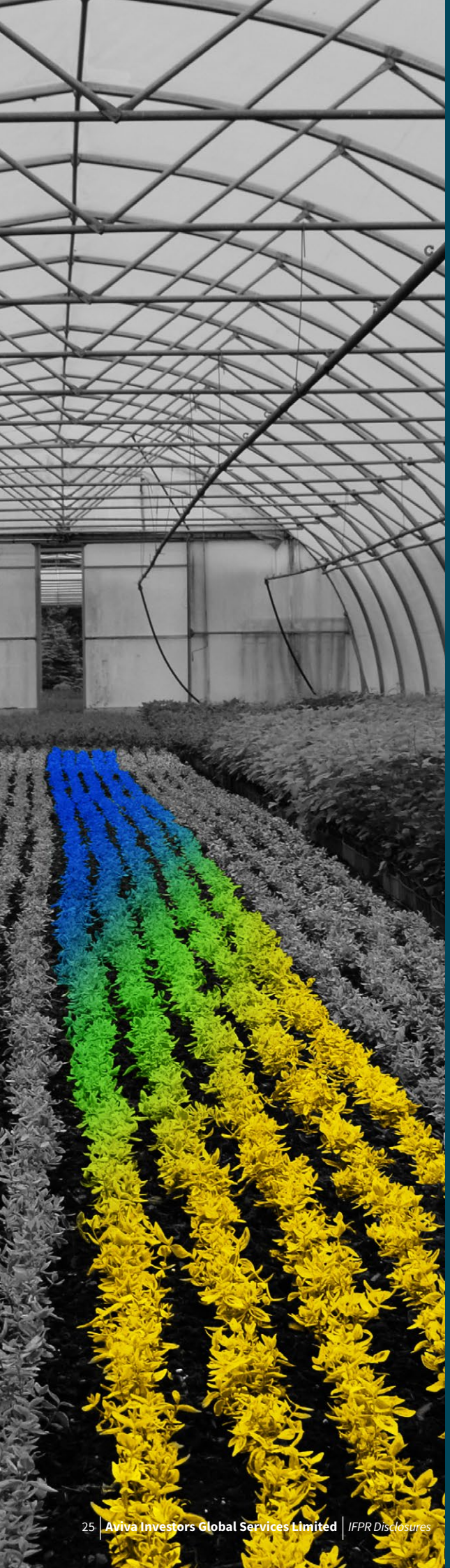
Issuer	Aviva Investors Global Services Limited
Public or private placement	Private
Instrument type	Ordinary Share Capital
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	207,075
Nominal amount of instrument (GBP whole number)	1
Issue price (GBP whole number)	1
Redemption price	N/A
Accounting classification	Allotted, called up and fully paid share capital
Original date of issuance[2]	07 December 1973
Perpetual or dated	Perpetual
Maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons/dividends Fixed or floating dividend/coupon Coupon rate and any related index Existence of a dividend stopper	N/A
Convertible or non-convertible	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A

Table OF4 below illustrates the main features of the T2 instruments held by AIGSL at 31 December 2023:

Table OF4: Main features of T2 instruments held by AIGSL

Instrument type	Sub-ordinated loan
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	20,000
Accounting classification	Loans with group companies
Issued by	Aviva Investors Holdings Limited (Parent)
Issued to	Aviva Investors Global Services Limited
Date of issuance	31 May 2016
Maturity date	31 May 2027
Interest payable	5.85% p.a.

[2] Information regarding subsequent share issuances by AIGSL since the original date of issuance can be found at https://find-and-update.company-information.service.gov.uk/company/01151805



Section 5

Own Funds Requirements

5. Own Funds Requirements

5.1 Calculation of the Own Funds Requirement

AIGSL, as an FCA investment firm, must at all times maintain own funds that are at least equal to its Own Funds Requirement ('OFR'). As set out in MIFIDPRU 4.3.2R the OFR is calculated as the higher of its:

a) Permanent Minimum Capital Requirement ('PMR')

b) Fixed Overheads Requirement ('FOR'), or

c) K-Factor Requirement ('KFR')

5.1.1 Permanent Minimum Requirement

The PMR for AIGSL has been determined based on the investment services and activities the firm undertakes. The PMR of AIGSL is classified as £150,000, as the firm meets the conditions set out in MIFIDPRU 4.4.3R.

5.1.2 Fixed Overhead Requirement

Per MIFIDPRU 4.5.1R, 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 AIGSL 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, AIGSL's FOR is £62.2m.

5.1.3 K-Factor Requirement

The UK IFPR regime outlines a harm-based regulatory capital requirement for investment firms, assessed as the sum of 'K-Factor' requirements. The K-Factor approach assesses the main material harms that firms could pose on its clients and counterparties (Harm-to-Client), on the markets within which it operates (Harm-to-Market), and on itself (Harm-to-Firm).

The KFR applies to AIGSL based on metrics and coefficients applied to different base values according to the scale of each activity. Firms are required to apply the K-factors which are relevant to their business model with the following K-factors are applicable to AIGSL:

- Assets under Management (K-AUM)
- Client Money Held (K-CMH)
- Daily trading flow (K-DTF)

5.1.4 Own Funds Requirement

At 31 December 2023, AIGSL's OFR is determined by the FOR at £62.2m, outlined in Table OFR1 below.

Table OFR1: Calculation of the own funds requirement

Own funds requirement at 31 December 2023	Value (£'000s)
K-Factor Requirement	
• ΣK-AUM, K-CMH, K-ASA	43,476
• ΣK-COH & K-DTF	3,986
• ΣK-NPR, K-CMG, K-TCD, K-CON	-
Total K-Factor Requirement (KFR)	**47,462**
Fixed Overhead Requirement (FOR)	**62,157**
Permanent Minimum Requirement (PMR)	**150**
Own funds requirement (higher of KFR, FOR & PMR)	**62,157**

5.2 Assessing the Adequacy of Own Funds in accordance with the Overall Financial Adequacy Rule

In compliance with the OFAR, AIGSL is required to hold at all times, own funds and liquid assets which are adequate, both in amount and quality, to ensure that it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its activities, or so that it can be wound down in an orderly manner, minimising harm to consumers or to other market participants. This is assessed through AIGSL's ICARA process.

ICARA

The ICARA process is at the core of the Aviva Investors' RMF, incorporating the identification and management of potential material harms; business and operating model assessment; financial, capital and liquidity planning; stress and scenario testing; recovery planning; and wind-down planning. The ICARA process is an internal risk management process that is operated on an ongoing basis and applies to the entire business, including all regulated and unregulated activities. AIGSL reviews the adequacy of its ICARA process at least once every 12 months, or following any material change in the business or operating model.

The required amount of capital is determined using internally approved methodologies and is subject to approval by the Board. Capital resources are to exceed the higher of regulatory or internal risk-based requirement.

Adequacy of Own Funds

As detailed in Table OFR1, at 31 December 2023 the FOR is the biting OFR, determining the minimum regulatory own funds to be held by AIGSL.

The Own Funds Threshold Requirement ('OFTR') is the amount of own funds that a firm needs to hold at any given time to comply with the OFAR, determined as the higher of:

(a) the amount of own funds required to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; and

(b) the amount of own funds that a firm would need to hold to ensure that the firm can be wound down in an orderly manner.

At 31 December 2023, AIGSL holds own funds in excess of its OFTR which is determined by the level of own funds required to fund ongoing business operations.

Adequacy of Liquid Assets

AIGSL's regulatory liquid asset obligations are specified per the MIFIDPRU 7.7, whereby to comply with the OFAR the firm must hold at all times the sum of the Basic Liquid Asset Requirement ('BLAR') and LATR. The LATR is calculated as the higher of:

(a) the amount of liquid assets that the firm requires to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; and

(b) the additional amount of liquid assets that a firm would need to hold when commencing its wind-down process to ensure that the firm could be wound down in an orderly manner.

At 31 December 2023, AIGSL holds liquid assets in excess of its LATR, which is determined by the BLAR plus the level of liquid assets required to initiate the wind-down process.

Early Warning Indicators

AIGSL has established the levels of own funds and liquid assets that it considers, if breached, may indicate that there is a credible risk to its threshold requirements. Early warning triggers are used to monitor own funds or liquid assets are nearing their respective risk appetites, with appropriate Board and FCA escalation processes established for each level of early warning trigger and risk appetite breaches.

Stress & Scenario Testing

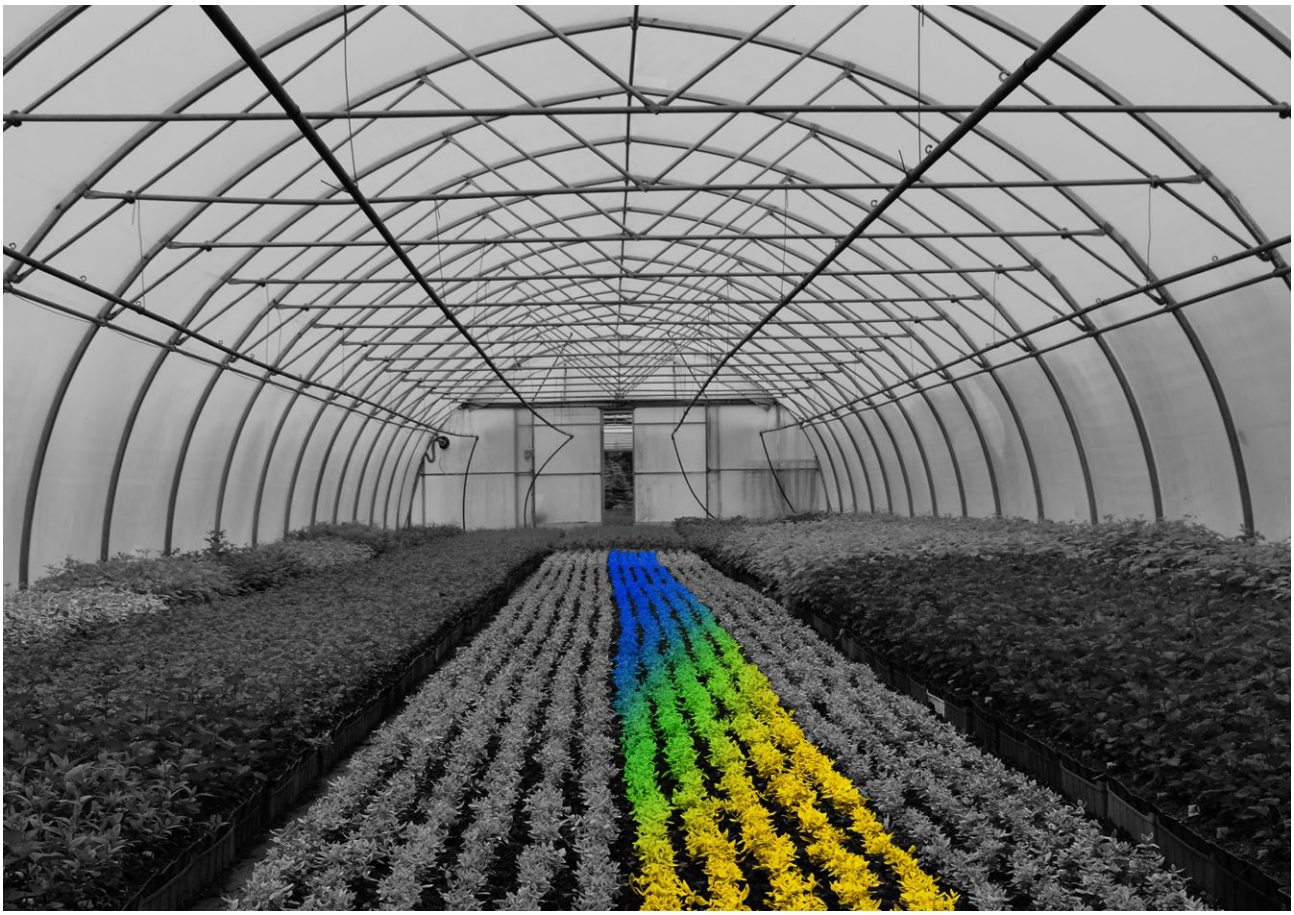
Stress and scenario testing ('SST') considers the harms that AIGSL and its clients are exposed to and whether the entity has sufficient and appropriate recovery actions for relevant severe but plausible stresses. Many of the scenarios are complex events with multiple simultaneous impacts to both revenue and costs.

SST, including reverse stress testing, is undertaken to consider whether AIGSL would continue to have sufficient own funds and liquid assets to meet the OFAR. Assumptions for loss of revenue, through redemptions and underachievement of the sales plan, are agreed at an asset class level and applied to AIGSL in the same proportions as they are applied for the Aviva Investors Group as a whole per the ICARA process for capital stress scenarios.

Liquidity stress scenarios have been identified as a failure of counterparties resulting in the inability to access resources or liquid assets or an unexpected increase in outflows may lead to the failure of the firm to meet other short-term obligations.

Wind-Down Planning

Wind-down planning is undertaken to assess the financial and non-financial resources required to wind-down AIGSL in an orderly manner and to terminate its business in a realistic timescale. This includes how the business would close or transfer the funds under management, reduce its staff and infrastructure support, and to estimate the additional costs to mitigate the material potential harms on clients, counterparties, and the market that could arise from winding-down. The potential harms arising from winding down the business and how they could be mitigated are documented in the Aviva Investors Group Wind-Down Plan.



Section 6

Remuneration Policy & Practices

6. Remuneration Policy & Practices

The Remuneration Code (SYSC 19G) applies to AIGSL. This disclosure meets the requirements as set out in MIFIDPRU 8.6.

6.1 Remuneration Governance

Aviva Investors Remuneration and Nomination Committee

The Aviva Investors Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Aviva Group Remuneration Committee and AIHL Board regarding the Remuneration Policy of Aviva Investors including AIGSL. This Committee reviews individual remuneration packages for all employees to which the Remuneration Code applies and considers the remuneration policy and structures for all Aviva Investors employees.

The Aviva Investors Remuneration and Nomination Committee is comprised of Non-Executive Director Mike Craston and Independent Non-Executive Directors Mark Burgess (Chair), Jeffrey Weingarten, Sue Amies-King, Alexa Coates, Andrew Kirton and Mark White. The majority of the members were also members of the Aviva Investors Risk Committee during 2023. The Aviva Investors Remuneration and Nomination Committee met on five occasions in 2023.

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 Investors. The Committee also works with the AIHL 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: https://www.aviva.com/about-us/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 Aviva plc Board Risk Committee during 2023. The Aviva Group Remuneration Committee met on seven occasions in 2023.

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

During 2023 the Aviva Investors Remuneration Committee and 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.

6.2 Remuneration Policy

The Aviva Investors remuneration policy is consistent with Aviva's remuneration principles which support the execution of Aviva Investor'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.

6.3 Link Between Pay and Performance

Performance is measured against a combination of:

Aviva Investors and Aviva Group performance: A rounded assessment of performance against key financial and non-financial performance indicators as part of a balanced scorecard. Financial performance indicators include, but are not limited to, operating profit, investment performance and net flows. 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.

Non-financial considerations: Including management of risk (including the integration of sustainability risks in the investment process, where applicable), diversity and inclusion, 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 the Aviva Investors 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.

Through Aviva Investors' Global Reward Framework, all investment employees should support responsible investment and integrate Environmental, Social & Governance ('ESG') considerations into their investment processes, including the consideration of Sustainability Risk (as defined by the EU Sustainable Finance Disclosure Regulation). ESG research is integrated into the investment process and forms part of the investment scorecard and annual risk attestation. The Chief Investment Officers and investment desk heads consider how investment employees demonstrate their commitment to ESG processes as part of the determination of annual performance and pay outcomes.

The remuneration of employees in Control Functions (defined as Risk, Compliance and Audit) is determined independently of the financial results of Aviva Investors 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.

6.4 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 Investors 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 awards above certain thresholds are 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 funds and/or Aviva Group Plc shares applies. MRTs are subject to additional deferral requirements, further detail is included below in the section 'MRT Deferrals and Retention Periods'.

Long Term Incentive Awards ('LTIA') – discretionary long-term incentive plan to align reward with long-term investment performance, Aviva Group and Shareholders, and with the additional intention to help retain key talent. All Aviva Investors colleagues who are permanent employees are eligible to receive an LTIA, although LTIAs are typically awarded to a select number of senior colleagues.

LTIAs vest after three years; part in Aviva Investors funds and part in Aviva Restricted Share Units ('RSU's). For the Aviva Investors CEO, due to his role as a member of the Aviva Group Executive Committee the award of RSUs is subject to additional Aviva Group performance conditions. For MRTs, vesting is subject to a pre-vesting assessment of individual performance, behaviours, and alignment with the company values of Aviva Investors throughout the three-year performance period.

Variable remuneration is discretionary and fully flexible, including the possibility of zero if performance thresholds are not met.

MRT Deferrals and Retention Periods

In line with regulatory requirements, MRTs are subject to additional deferral requirements:

For MRTs identified under IFPR and not other Remuneration Codes: 40% of variable remuneration under £500,000 is deferred over three years, vesting on a pro-rata basis. This increases to 60% for variable remuneration over £500,000. A minimum of 50% of total variable remuneration is delivered in Aviva funds and/or Aviva Group Plc shares. A six-month retention period applies to the funds and/or shares after vesting.

IFPR MRTs who have also been identified as MRTs under SYSC 19B and 19E are also subject to the AIFMD/UCITS V remuneration requirements. The requirements are applied on an apportioned basis, based on the % of Assets Under Management ('AUM') of the AIFMD/UCITS regulated firm versus total AUM of Aviva Investors. The apportioned variable remuneration is subject to the following requirements: 40% of variable remuneration under £500,000 is deferred over three years. This increases to 60% for variable pay over £500,000. A minimum of 50% of total variable remuneration is delivered in Aviva funds and/or Aviva Group Plc shares, this applies to both the deferred element and the upfront element (the element that is not subject to deferral).

When setting deferral schedules and retention periods for MRTs, Aviva Investors take into account:

- The firm's business cycle (including length), the nature of its business and its risk profile;
- The activities and responsibilities of MRTs and how these may impact the risk profile of the firm or the assets the firm manages;
- Whether the deferred variable remuneration is paid out in instruments or cash;
- The amount of the variable remuneration and the ratio of variable to fixed remuneration; and
- How long it could take for the risks underlying the staff member's performance to crystallise.

Aviva Investors considers, based on market practice and in consideration that all variable awards are subject to clawback post vesting, that: the proportion of variable remuneration that is deferred is appropriate to align the interest of colleagues with the risk profile of the regulated entities; the retention period is of suitable length post release of the deferred awards (or in the case of an upfront component the award); and, the deferral period and vesting schedule is of an appropriate length.

For all MRTs, malus provisions and leaver conditions will apply during the vesting period. However, these will not apply during the six-month holding period. Clawback provisions continue to apply after the vesting period, including during the holding period.

Colleagues are not permitted to undertake personal hedging strategies in respect of any variable remuneration.

6.5 Malus and Clawback

All variable pay granted or paid to any Aviva Investors employee is subject to the Aviva's Malus and Clawback Policy. This includes the cash and deferred elements of the annual bonus plan and any LTIA. 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/

6.6 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.

6.7 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.

6.8 Material Risk Taker Identification

Aviva Investors has identified MRTs in accordance with the FCA Remuneration rules and guidance as set out in SYSC 19G. In addition, Aviva Investors 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
- Members of the Aviva Investors Executive Committee
- Senior Management, including FCA-designated senior management functions, except for SMF 7 – Group Entity Senior Manager Function
- Employees in control functions who have oversight of the regulated entities
- Individuals who can 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.

6.9 Quantitative Remuneration Disclosures

Total remuneration awarded

GBP (millions)	**Senior Management**	**Other MRTs**	**Other Staff**	**Total (All Staff)**
Total fixed remuneration	3.84	6.80	86.69	97.33
Total variable remuneration	6.53	6.73	26.94	40.20
Total remuneration	**10.37**	**13.53**	**113.63**	**137.53**

The amount and forms of remuneration awarded to MRTs

GBP (millions)	Senior Management	Other MRTs	Total
Number of MRTs	18	31	49
Total variable remuneration	6.52	6.73	13.25
Of which is cash-based			
Of which: non-deferred	1.51	2.46	3.97
Of which: deferred	-	-	-
Of which is shares			
Of which: non-deferred	-	-	-
Of which: deferred	1.53	0.77	2.30
Of which is share linked instruments or equivalent non-cash instruments			
Of which: non-deferred	0.21	0.24	0.45
Of which: deferred	3.27	3.26	6.53
Of which is other forms			
Of which: non-deferred	-	-	-
Of which: deferred	-	-	-

MRT outstanding deferred remuneration

GBP (millions)	Senior Management	Other MRTs	Total
Amount of deferred remuneration awarded for previous performance periods			
Of which: due to vest in the financial year in which the disclosure is made	4.29	5.27	9.56
Of which; due to vest in subsequent years	6.61	7.86	14.47
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	4.26	5.27	9.53
Of which: the amount was due to vest but withheld as a result of performance adjustment	0.03	-	0.03

Additional notes:
Deferred remuneration includes annual bonus, LTIA and other deferred awards based on value at grant

Severance payments made to MRTs

The highest award of severance pay awarded to an individual MRT (other MRT) was £0.07 million.

Exemptions

In line with the exemption provided in MIFIDPRU 8.6.8 (7) (b), the following obligations have not been included within this disclosure to prevent individual identification of an MRT or any information that could be associated with a particular MRT:

- MIFIDPRU 8.6.8 (5) (a) and (b)
- MIFIDPRU 8.6.8 (6) (d)

Section 7

Investment Policy

7. Investment Policy

7.1 Proportion of Voting Rights

The proportion of voting rights attached to shares held directly or indirectly by AIGSL in accordance with MIFIDPRU 8.7.4R are outlined in Table IP1 below:

Table IP1: Proportion of Voting Rights

Company Name	LEI	Proportion of voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
Balanced Commercial Property Trust Ltd		23.892
Conduit Holdings Ltd		13.785
Dyson Group plc		12.212
Spirent Communications plc		9.848
Triple Point Energy Transition plc		9.698
Sabre Insurance Group plc		9.696
Oxford Metrics plc		9.291
East Imperial plc		9.262
DFS Furniture plc		8.642
Tritax Eurobox plc		8.639
Foresight Sustainable Forestry Company plc		8.592
PRS REIT plc		8.561
Science in Sport plc		8.510
Next Fifteen Communications Group plc		8.504
CT Property Trust Ltd		8.503
Sherborne Investors (Guernsey) Ltd		8.430
Intermediate Capital Group plc		7.669
Ibstock plc		7.339
TwentyFour Income Fund Ltd		7.277
Hipgnosis Songs Fund Ltd		6.745
Tristel plc		6.314
DS Smith plc		6.174
Chemring Group plc		5.771
Rathbones Group plc		5.525
Tritax Big Box REIT plc		5.380

7.2 Voting Behaviour

AIGSL voting behaviour for the financial year ending 31 December 2023 is outlined in tables IP2.01 to IP2.03 below

Table IP 2.01: Description of Voting Behaviour

Row	Item	Value
1	Number of relevant companies in the scope of disclosure	25
2	Number of general meetings in the scope of disclosure during the past year	29
3	Number of general meetings in the scope of disclosure in which the firm has voted during the past year	29
4	Does the investment firm inform the company of negative votes prior to the general meeting? (Yes/No/Other – please explain)	Yes
5	On a consolidated basis, does the investment firm group possess a policy regarding conflicts of interests between relevant entities of the group? (Yes/No)	Yes
6	If yes, summary of this policy	Policies and documents - Aviva Investors Please refer to Annual Review 2022 pages 35 - 37

Table IP 2.02: Voting Behaviour

Row	Item	Number	Percentage (of all resolutions)
1	General meetings resolutions:	364	100.0
2	the firm has approved management's recommendation	357	98.1
3	the firm has opposed management's recommendation	7	1.9
4	in which the firm has abstained	0	0.0
5	General meetings in which the firm has opposed at least one resolution	4*	13.8

* Out of 29 meetings voted

Table IP 2.03: Voting Behaviour in resolutions by theme (number unless specified)

Row	Item	Voted For	Voted Against	Abstained	Total
1	Voted resolutions by theme during the past year:	357	7	0	364
2	Board structure	139	4	0	143
3	Executive remuneration	25	1	0	26
4	Auditors	45	0	0	45
5	Environment, social, governance not covered by rows 2-4	0	0	0	0
6	Capital transactions	104	2	0	106
7	External resolutions (e.g. shareholder proposals)	0	0	0	0
8	Other	44	0	0	44
9	Percentage of all resolutions put forward by the administrative or management body that are approved by the firm	98.1	1.9	0.0	100.0

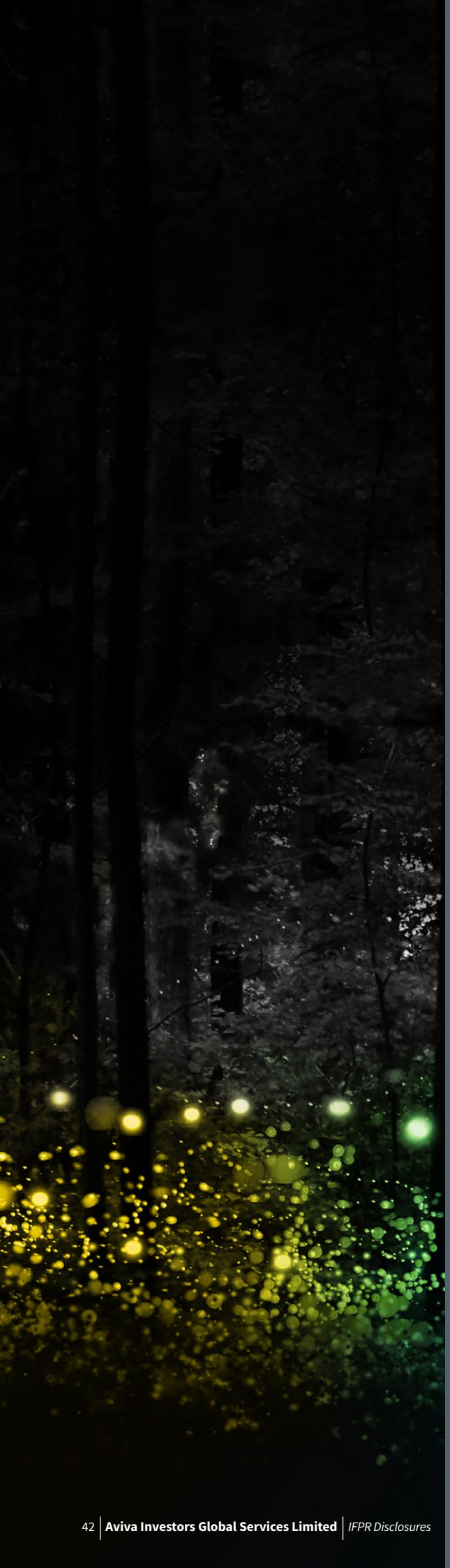
7.3 Use of Proxy Advisor Firms

To support us in making voting decisions on thousands of meetings a year, we subscribe to research from a number of third-party providers. These include Institutional Shareholder Services (ISS), Glass Lewis (note that we changed from ISS to Glass Lewis in September 2023), the Investment Association's IVIS service and MSCI. We use research for data analysis only and do not automatically follow research provider voting recommendations. We also receive recommendations from Glass Lewis based on our own policy, which we can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations.

7.4 Voting Guidelines

The Global Voting Policy can be found by clicking the below link.

https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/



Section 8

Glossary

8. Glossary

AIFMD	Alternative Investment Fund Managers Directive
AIGSL	Aviva Investors Global Services Limited
AIHL	Aviva Investors Holdings Limited
AUM	Assets Under Management
BLAR	Basic Liquid Asset Requirement
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CMH	Client Money Held
CRD IV	Capital Requirements Directive
CRO	Chief Risk Office
CRR	Capital Requirements Regulation
DE&I	Diversity, Equality & Inclusion
DTF	Daily Trading Flow
ESG	Environmental, Social & Governance
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
IA	Internal Audit
ICARA	Internal Capital and Risk Assessment
IMMMR	Identification, Measurement, Management, Monitoring and Reporting
IPS	Investment Policy Statement
ISS	Institutional Shareholder Services
KFR	K-factor Requirement
LATR	Liquid Assets Threshold Requirement
LTIA	Long Term Incentive Awards
MiFID	Markets in Financial Instruments Directive
MIFIDPRU	Prudential Sourcebook for MiFID Investment Firms
MRT	Material Risk Taker
OFAR	Own Funds Adequacy Rule
OFR	Own Funds Requirement
OFTR	Own Funds Threshold Requirement
PMR	Permanent Minimum Requirement
RAS	Risk Appetite Statement
RMF	Risk Management Framework
RSU	Restricted Share Unit
SMCR	Senior Managers & Certification Regime
SMF	Senior Management Function
SNI	Small & Non-Interconnected FCA Investment
SST	Stress & Scenario Testing
T2	Tier 2 Capital
UCITS	Undertakings for Collective Investment in Transferrable Securities
UK IFPR	UK Investment Firms Prudential Regime
UK Reg Group	Aviva Investors' UK Regulatory Group

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AVIVA INVESTORS

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