

Remuneration Committee report



Pippa Lambert
Chair of the Remuneration Committee

"Our 2022 remuneration outcomes reflect the strong performance of Aviva"

Throughout the Directors' Remuneration Report we use a colour coding system:

Salary, pension and other benefits

Bonus

LTIP

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
Pippa Lambert (Chair)	01-01-21	6/6
Andrea Blance	21-02-22	4/4
Patrick Flynn	15-06-20	6/6
Jim McConville	01-02-23	N/A

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report (DRR), for the year ended 31 December 2022.

The DRR is presented in three parts in addition to this letter:

- 'Remuneration at a glance' - key aspects of interest to shareholders
- 'Annual report on remuneration' - further detail on how the Directors' Remuneration Policy (the Policy) has been applied and remuneration outcomes in respect of 2022, and how the Policy will be implemented in 2023
- 'Directors' Remuneration Policy' - as approved by shareholders in 2021

Committee purpose

The Committee assists the Board in its oversight of remuneration by:

- Reviewing the Directors' Remuneration Policy and Directors' Remuneration Report

- Approving remuneration packages for the Non-Executive Chair and Executive Committee (ExCo)
- Approving the remuneration framework for regulated employees and reviewing wider workforce remuneration and policies
- Working with the Risk Committee to ensure that risk management is considered in setting the Policy through the alignment of incentive and rewards with risk management

Key committee activities during 2022

- Senior management objectives, pay decisions, bonus and Long Term Incentive Plan (LTIP) target setting
- Responding to cost of living challenges impacting our colleagues
- Progressing our ambitious diversity, equity and inclusion (DE&I) agenda
- Share plan operations and performance testing
- Governance and regulatory matters

More details are provided in the Annual report on remuneration.

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

2023 priorities

- Review of the Directors' Remuneration Policy
- Continued monitoring of the impact of the rising cost of living on our colleagues

More details about our 2023 focus areas are provided later in my letter.

Committee membership

Michael Mire stood down from the Committee on 12 September 2022. Michael joined the Committee in 2015 and I would like to thank him for his contribution over the past seven years.

Jim McConville joined the Committee in February 2023. Jim brings significant experience of the financial services industry and of group strategy and transformation.

2022 performance

Our strong performance through 2022 reflects our market leading positions, customer focus and the benefits of our diversified business.

Aviva's capital and liquidity position is strong, and our high-quality asset portfolio has performed despite market volatility.

Remuneration Committee report continued

Growth in the value created in our businesses

Performance against the financial measures in relation to our incentive plans exceeded targets:

- Growth in the value created by our businesses was demonstrated in the increase in Solvency II own funds generation (Solvency II OFG) and cash remittances, both exceeding target levels.
- Cost reductions achieved in 2022 were in line with our targets, reflecting continued efficiency improvements.
- Growth and expense discipline saw increased group adjusted operating profit, in excess of target level.

In terms of non-financial performance, the Committee welcomed the continued improvement evident in our risk and control environment, as reflected in an above target assessment against the qualitative and quantitative measures within the Risk scorecard. Our employee engagement levels saw a 14 point increase to 86%, a figure well ahead of market norms. This reflects the focus on leadership development and visibility, and actions to support our people through a difficult economic environment.

Performance against our customer measures was more challenging, given the impact of inflation on product pricing, supply chain issues, and market volatility on pension valuations.

Supporting our people

Oversight of remuneration across the wider colleague population featured prominently on the Committee's agenda during 2022. Aviva is proud to pay all of our UK colleagues at least the Real Living Wage, plus an additional 8% to enable colleagues to benefit from our 14% matching pension contribution and save for their retirement.

During 2022, we closely monitored the impact of the rising cost of living on our colleagues and welcomed the actions that were taken to support them, which included:

- Over 9,000 colleagues received a one-off cost of living payment of up to £1,000.
- All colleagues received £1,000 of free shares to recognise their contribution to the reshaping of our business and the capital return to shareholders.
- Car parking charges have been removed at UK sites where Aviva is the facility operator.
- An extension to our wellbeing programmes to include financial education.
- 21,000 free lunches were provided to children of UK colleagues during school holidays.

For 2023, the UK salary budget was 7%. Recognising the current cost of living challenges, a higher budget was targeted at more junior colleagues offset by a significantly lower budget for senior management.

Remuneration outcomes for 2022

Our remuneration outcomes reflect the strong performance of Aviva in 2022, as set out below.

2022 annual bonus

The formulaic outcome from the annual bonus scorecard was 79.7% of maximum (at 159.3%).

The Committee carefully considered this outcome in the context of broader performance and a quality of earnings assessment, noting input from the Audit and Risk Committees, to ensure the scorecard outcome was reflective of overall performance and aligned with the experience of shareholders. The Committee determined that no adjustments were required to the formulaic bonus scorecard outcome.

In line with the Policy the Committee also considered the individual performance of the Group CEO and Group CFO to determine whether individual adjustments to the scorecard outcome were required.

Amanda Blanc's performance as Group CEO continues to be exceptional. Aviva's share price has performed strongly against both our sector and the broader FTSE 100, reflecting strong execution of the clear strategy which Amanda has set out.

From an external perspective, Amanda has continued to enhance Aviva's profile across multiple industry and public forums and has been recognised as an influential business and financial services leader. This performance is reflected in Amanda's annual bonus for 2022 of 97.2% of maximum (at 194.3% of salary).

Since joining Aviva as Group CFO in September 2022, Charlotte Jones has made an impressive start, quickly building relationships and credibility with stakeholders. Charlotte has provided effective leadership through a period of external volatility while developing an ambitious business plan for the Group and creating a long-term vision and strategy for the Finance function. Charlotte's annual bonus for 2022 was 86.4% of maximum (at 129.7% of salary).

2020-22 LTIP

The formulaic vesting outcome was 80.2%, reflecting strong performance against the Solvency II return on equity (Solvency II RoE) and relative Total Shareholder Return (TSR) targets. Consistent with our commitments, the Committee carefully reviewed whether this vesting outcome was appropriate, being mindful of the guidance from proxy agencies and investors around the issue of 'windfall gains'. This assessment, detailed within the report, resulted in a 10% downward adjustment in the vesting outcome.

Remuneration Committee report continued

Appointment of Charlotte Jones

As announced, Charlotte Jones was appointed as Group CFO on 5 September 2022. On appointment, Charlotte’s remuneration package was in line with that of her predecessor. I have been particularly impressed with how quickly Charlotte has built relationships with our stakeholders. Further details can be found within the DRR.

Shareholder consultation

The Chair and Executive Directors (EDs) meet with institutional shareholders during the year. Topics raised during 2022 included Aviva’s dividend policy, capital returns, climate risk and progress against our strategic plan. A shareholder newsletter is published quarterly on aviva.com.

I look forward to continued constructive engagement with shareholders this year as we prepare a revised Policy for approval at the 2024 AGM.

Remuneration in 2023

Salary

Amanda will receive a salary increase of 4.85%. Charlotte will receive a salary increase of 4.81%.

The percentage increases for our Executive Directors are significantly below the overall increase in the UK salary budget of 7%.

2023 annual bonus and 2023-25 LTIP

For Amanda and Charlotte, the opportunities are unchanged from the awards made for the prior year. Charlotte’s award opportunities are consistent with those of her predecessor.

	Annual bonus		LTIP opportunity
	Target opportunity	Maximum opportunity	
Group CEO	100%	200%	350%
Group CFO	100%	150%	225%

Opportunities are in line with the Policy.

2023 focus areas

The Committee will continue to focus on ensuring that remuneration fairly rewards, and is aligned with, business performance.

In addition, the Committee will perform a comprehensive review of the Directors’ Remuneration Policy in 2023. I look forward to engaging with shareholders as part of the review ahead of the 2024 AGM vote.

Finally, the Committee took a number of actions to support colleagues through cost of living challenges during 2022. In 2023, we will continue to closely monitor the ongoing impacts to colleagues.

Conclusion

Aviva has again delivered very strong results in a challenging and volatile economic environment, demonstrating the benefits of our diversified business. As a Committee, we have sought to make decisions which effectively drive and reward results, while continuing to align with UK best practice remuneration and governance expectations. I hope that this report is clear and informative and I look forward to seeing shareholders at the forthcoming AGM.

Pippa Lambert
Chair of the Remuneration Committee
8 March 2023